### 1NC Shell

#### Unique link – Oil prices are not expected drop in the near future, Algae oils put direct downward pressure on the oil price

RBSC, 13

Roland Berger Strategy Consultants, “Oil supply will not run out in the long run, but low prices are a thing of the past,” Retrieved, 7/11/14, JK. http://www.rolandberger.com/press\_releases/513-press\_archive2013\_sc\_content/Erdoel\_wird\_so\_schnell\_nicht\_knapp.html

Expensive tertiary extraction processes mean marginal production costs will go up. This rise, coupled with increasing demand and supply, means that oil prices are expected to rise further in the future. Price per barrel is unlikely to drop below USD 70 for the next few years. Of course, no forecast can completely account for "black swan" events, which change the dynamics of an industry. Therefore, the Roland Berger experts also analyzed potential game changers on the oil market. For example, technological innovations such as algae-based feedstock, cheaper and accessible renewable energy and a more consumer-friendly electric car industry are real threats to oil consumption. In the long run, this could lower demand and therefore prices. "We hope that an understanding of the trends and risks associated with the oil industry will enable producers, businesses and governments alike to develop effective and sustainable strategies that can withstand these 'black swan' events while delivering maximum results," says Kalkman.

#### Low oil prices crush Russian stability

Woodhill, 14

Louis, contributor to Forbes and The Economist, “It's Time To Drive Russia Bankrupt – Again,” Forbes, retrieved 7/14/14, JK. http://www.forbes.com/sites/louiswoodhill/2014/03/03/its-time-to-drive-russia-bankrupt-again/

Unlike the U.S., which has deep financial markets and prints the world’s reserve currency, Russia cannot run large fiscal deficits without creating hyperinflation. Given that Russia expects to get about half of its revenue from taxes on its oil and gas industry, it is clear that it would not take much of a decline in world oil prices to create financial difficulties for Russia. Assuming year-end 2013 prices for crude oil ($111.76/bbl) and natural gas ($66.00/FOE\* bbl) the total revenue of Russia’s petroleum industry is $662.3 billion (26.5% of GDP), and Russian’s oil and gas export earnings are $362.2 billion, or 14.5% of GDP. Obviously, a decline in world oil prices would cause the Russian economy and the Russian government significant financial pain. Over the past 64 years, real gold prices have averaged $544.91/oz (in 4Q2013 dollars), and real crude oil prices have averaged $38.85 bbl. This means that an ounce of gold will typically buy about 14 barrels of oil. If we fully stabilized the dollar today, we could expect gold prices to fall toward $550/oz, and oil prices to fall toward $40.00/bbl. The huge dollar premiums that gold and oil currently command reflect the value that these easy-to-store commodities have as hedges against dollar instability. If we reformed our monetary control system to guarantee the real value of the dollar, we would eliminate this risk. The risk premiums currently enjoyed by oil and gold would then decline toward zero, as the new monetary system gained credibility.Interestingly enough, even a decline in world oil prices to $40/bbl would not stop the U.S. “fracking” boom (although it would slow it down). If crude oil were at $40/bbl, residual fuel oil would sell for about $32/bbl. Right now, spot natural gas prices are only $4.49/MCF, or about $27.00/FOE bbl. In other words, U.S. natural gas prices could rise by 19% from where they are now, before they would hit a price ceiling imposed by crude oil at $40/bbl. It would not take $40/bbl oil to put an end to Russian adventurism. Even assuming no change in natural gas prices, a decline in world oil prices to $80/bbl would cost the Russian oil industry $120 billion in sales, most of which would have to come out of the Russian government’s fiscal hide. Russia’s foreign exchange earnings would fall by $83 billion/year. To deal with a fall in world oil prices to $80/bbl (much less $40/bbl), Russia would have to retrench on all fronts. If the Russian government were to resort to printing rubles to try to close the yawning fiscal gap, they would make a difficult situation much, much worse. Capital would flee the country, and their economy would be disorganized by rampant inflation. Vladimir Putin would have to be lucky, as well as politically skillful, to survive in a scenario like this.

#### Russian economic decline causes nuclear war

Filger 9

Sheldon Filger, founder of Global Economic Crisis, The Huffington Post. “Russian Economy Faces Disastrous Free Fall Contraction”. 5/10/9. http://www.huffingtonpost.com/sheldon-filger/russian-economy-faces-dis\_b\_201147.html

In Russia historically, economic health and political stability are intertwined to a degree that is rarely encountered in other major industrialized economies. It was the economic stagnation of the former Soviet Union that led to its political downfall. Similarly, Medvedev and Putin, both intimately acquainted with their nation’s history, are unquestionably alarmed at the prospect that Russia’s economic crisis will endanger the nation’s political stability, achieved at great cost after years of chaos following the demise of the Soviet Union. Already, strikes and protests are occurring among rank and file workers facing unemployment or non-payment of their salaries. Recent polling demonstrates that the once supreme popularity ratings of Putin and Medvedev are eroding rapidly. Beyond the political elites are the financial oligarchs, who have been forced to deleverage, even unloading their yachts and executive jets in a desperate attempt to raise cash. Should the Russian economy deteriorate to the point where economic collapse is not out of the question, the impact will go far beyond the obvious accelerant such an outcome would be for the Global Economic Crisis. There is a geopolitical dimension that is even more relevant then the economic context. Despite its economic vulnerabilities and perceived decline from superpower status, Russia remains one of only two nations on earth with a nuclear arsenal of sufficient scope and capability to destroy the world as we know it. For that reason, it is not only President Medvedev and Prime Minister Putin who will be lying awake at nights over the prospect that a national economic crisis can transform itself into a virulent and destabilizing social and political upheaval. It just may be possible that U.S. President Barack Obama’s national security team has already briefed him about the consequences of a major economic meltdown in Russia for the peace of the world. After all, the most recent national intelligence estimates put out by the U.S. intelligence community have already concluded that the Global Economic Crisis represents the greatest national security threat to the United States, due to its facilitating political instability in the world. During the years Boris Yeltsin ruled Russia, security forces responsible for guarding the nation’s nuclear arsenal went without pay for months at a time, leading to fears that desperate personnel would illicitly sell nuclear weapons to terrorist organizations. If the current economic crisis in Russia were to deteriorate much further, how secure would the Russian nuclear arsenal remain? It may be that the financial impact of the Global Economic Crisis is its least dangerous consequence.

### Uniqueness – Prices Up

#### Global oil prices set to rise in the near term

Albrecht et al., 14

Uwe, Matthias ALTMANN, Jan ZERHUSEN, Tetyana RAKSHA , Patrick MAIO, Alexandre BEAUDET, Paola TRUCCO, Christian EGENHOFER, Arno BEHRENS , Jonas TEUSCH, Julian WIECZORKIEWICZ, Fabio GENOESE, Guy MAISONNIER. “The Impact of the Oil Price on EU Energy Prices,” Economic and Scientific Policy Department, Directorate-General of the European Parliament, pg. 16. <http://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/518747/IPOL-ITRE_ET%282014%29518747_EN.pdf>, retrieved 7/12/14, JK

Looking back over a longer period, global oil price s and European natural gas prices are trending significantly higher today compared to the 1990s. On the other hand, coal prices show only a rather slight increase over that period, while they were much higher in the 1980s. All three energies as well as electricity display a sharp price peak in 2008, but apart from that, generally differ in volatility. In spite of continued economic difficulties globally since 2008, the oil price quickly increased again after a steep decline in late 2008, and continues to trade in the 100 US - $ per barrel range since early 2011. Crude oil price differences between Europe (Brent) and the USA (WTI – West Texas Intermediate) are due to infrastructural and export constraints in the USA, and may vanish in the foreseeable future. Gas prices are roughly a factor of two lower in the USA than in Europe. After a period of price parity during 2009 and the beginning of 2010, gas spot prices between the US and the UK (the most liquid European gas hub) strongly decoupled.

#### Prices set to rise in the near future

Albrecht et al., 14

Uwe, Matthias ALTMANN, Jan ZERHUSEN, Tetyana RAKSHA , Patrick MAIO, Alexandre BEAUDET, Paola TRUCCO, Christian EGENHOFER, Arno BEHRENS , Jonas TEUSCH, Julian WIECZORKIEWICZ, Fabio GENOESE, Guy MAISONNIER. “The Impact of the Oil Price on EU Energy Prices,” Economic and Scientific Policy Department, Directorate-General of the European Parliament, pg. 16. <http://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/518747/IPOL-ITRE_ET%282014%29518747_EN.pdf>, retrieved 7/12/14, JK

The future projection of long - term price trends involves many unknowns. Experience over the past decade has seen price developments on global wholesale markets that were not anticipated by the majority of future energy price projections. The strong increases of oil, gas and coal prices leading to the 2008 peak as well as current price levels came as a surprise to most experts. Past price projections underestimated future prices significantly, in most cases projecting 2030 to 2050 prices below values reached within a few years from the original projection. As a general observation, price increases of fossil energies have a tendency to be underestimated by most projections, while on the other hand costs of renewable energies have decreased much quicker than anticipated, and thus tend to be overestimated (see e.g. DIW 2013a, Altmann et al. 2011). Unfortunately, a systematic and focused analysis of strengths and shortcomings of future price projections is lacking. As discussed in (Altmann et al. 2011) a major input for future fossil energy price projections is the physical availability of the resources. Optimistic assessments of the future global availability of oil, natural gas, and coal lead to constant or only slightly increasing long - term price projections. Pessimistic resource assessments including so - called peak oil / gas / coal analyses lead to sharply increasing prices. One of the few analyses on such a basis has been published by (Lutz et al. 2012) who project a “base line” 17 oil price in the range of 130 $/ barrel ( bbl ) in 2020, but a “peak oil” price of between 300 and 600 $/bbl in 2020, depending on assumptions for energy efficiency improvements etc. PRIM ES projections in the framework of the Impact Assessment for the Roadmap 2050 (EC 2011) show, in contrast to earlier PRIMES modelling runs (E3M 2010, E3M 2008, E3M 2006, E3M 2003), various future energy price scenarios with significant spreads between the different scenarios. For oil, 2020 prices range from 79 to 132 $/bbl, while for 2050 they range from 84 to 162 $/bbl. However, the range is still small compared to the above - mentioned peak oil projections. In spite of differences between various future price projections, they generally agree that oil prices cannot be expected to go down again to the levels of the 1990ies.

#### Prices will remain high in the near term

Kalkman, Pfeiffer, and Pereira 13

Jaap Kalkman, Walter Pfeiffer, Sergio Pereira, Roland Berger Turkey, Middle East & Africa, “Are we running out of oil?,” retrieved 7/11/14, JK. http://www.rolandberger.com/media/pdf/Roland\_Berger\_Are\_we\_running\_out\_of\_oil\_20131111.pdf

The analysis conducted on both the supply and demand of oil, as well as the potential for disruptive technology, allows for the following key takeaways on oil price: > oil price has tripled over the last decade and is currently stabilizing around the USD 100 mark > Demand is expected to grow at 1.6% per annum over the next couple of years and supply will increase to meet this demand through expensive unconventional sources of oil > The marginal cost of production is set to increase as expensive tertiary extraction methods are used to produce the "marginal barrel". Significant increases are expected in the production costs of both conventional and unconventional oil > An increase in conventional oil production and decrease in oil demand is very unlikely Therefore, rather than a sustained oil price below USD 70 per barrel, we see three realistic Scenarios Reference case scenario: Robust growth in non- OECD countries, particularly China and India leading to an overall increased demand for oil, resulting in oil prices between USD 100-120 > High oil price scenario: very high demand for oil in non- o ECD nations, combined with a constrained supply and low investments in E o R technologies could lead to a sustained higher oil price between USD 120-170 > Low oil price scenario: Slow non- o ECD growth and reduced market power of o PEC producers to stabilize price and production could lead to a slight fall in prices between USD 80-100 Given the scenarios illustrated above, the lowest price forecast in the near future scenarios is around USD 80 per barrel. Therefore, we believe it is highly unlikely that prices will fall below USD 70 for an extended period of time.

### Uniqueness – US Production

#### US already outproduces Russia oil and natural gas

Goldenberg 13

(Suzanne, October 4, 2013, “US surpasses Russia as world's top oil and natural gas producer” <http://www.theguardian.com/business/2013/oct/04/us-oil-natural-gas-production-russia-saudi-arabia>)

The US was on pace to achieve global energy domination on Friday, overtaking Russia and Saudi Arabia as the world's top oil and natural gas producer. New estimates released on Friday by the Energy Information Administration showed America pulling ahead of both countries in oil and natural gas production for 2013. The rise to the top was fuelled by new drilling techniques, such as horizontal drilling and hydraulic fracturing, which have unlocked vast quantities of oil and gas from shale rock formations – especially in North Dakota and Texas. America was on track to produce just under 25m barrels a day of oil, natural gas and related fuels, the EIA said. Russia was just under 22m barrels a day. America had already surpassed Russia in natural gas production last year, pulling ahead for the first time since 1982. But this was the first year the US was on pace to surpass Russia in production of both oil and natural gas. "Total petroleum and natural gas hydrocarbon production estimates for the United States and Russia for 2011 and 2012 were roughly equivalent — within 1 quadrillion Btu of one another," the EIA said. "In 2013, however, the production estimates widen out, with the United States expected to outproduce Russia by five quadrillion Btu," the agency said. Most of the new oil was coming from the western states. Oil production in Texas has more than doubled since 2010. In North Dakota, it has tripled, and Oklahoma, New Mexico, Wyoming, Colorado and Utah have also shown steep rises in oil production over the same three years, according to EIA data. But the EIA said the new natural gas production was coming from across the eastern United States. Russia is believed to hold one of the world's largest oil-bearing shale formations. But the industry has lagged behind America in its embrace of horizontal drilling and hydraulic fracturing to get at the oil and gas. Meanwhile, energy firms are stepping up production from North Dakota and Texas. Earlier reports from the EIA suggests the trend will continue. The EIA said earlier that US crude oil production rose to an average of 7.6m barrels a day in August, the highest monthly totals since 1989. It forecast total oil production would average 7.5m barrels a day throughout the year, rising to 8.4m barrels a day in 2014.

### Uniqueness – Demand

#### Demand will remain steady.

RBSC, 13

Roland Berger Strategy Consultants, “Oil supply will not run out in the long run, but low prices are a thing of the past,” Retrieved, 7/11/14, JK. http://www.rolandberger.com/press\_releases/513-press\_archive2013\_sc\_content/Erdoel\_wird\_so\_schnell\_nicht\_knapp.html

Given this promising outlook for oil supply, Roland Berger experts estimate that oil demand will not decrease over the next 10-15 years. Demand has been growing at an annual rate of 1.3% over the last decade. Rapid GDP growth after the financial crisis, low regulation in emerging economies and challenges faced by alternative energy sources mean that demand is predicted to continue growing. Non-OECD countries are expected to account for a larger share or even all of demand growth in the future, given the lower economic growth and higher oil efficiency in OECD countries.

#### Demand will remain high in the status quo

Kalkman, Pfeiffer, and Pereira 13

Jaap Kalkman, Walter Pfeiffer, Sergio Pereira, Roland Berger Turkey, Middle East & Africa, “Are we running out of oil?,” retrieved 7/11/14, JK. <http://www.rolandberger.com/media/pdf/Roland_Berger_Are_we_running_out_of_oil_20131111.pdf>

A comparison of the primary energy mix between 2001 and 2011 illustrates that coal and renewables gained a 7% market share to the detriment of oil. However, in absolute terms, oil consumption grew by 15% over the same period, owing to the rapid increase in total energy consumption. The demand for energy is expected to continue, therefore ensuring that oil consumption will grow despite the increasing use of other energy forms. Demand will remain robust Change in oil demand is the sum of the positive impact of economic development and the negative impact of government regulations and better technology. Upon studying the impact of these key factors while seeking to answer the question "Will demand remain flat in the long run?" the following observations emerge: > oil consumption has been growing at an annual rate of 1.3% over the last decade due to the increase in consumption from emerging economies > GDP growth, particularly in non- o ECD countries, will drive oil demand in the future but it will not be as effective as in the past owing to increasing energy efficiency > Significant consumption increases are expected from all the major consumers of oil thanks to anticipated economic growth in the short term – Growth in China and India appear particularly promising > Demand in the road transportation sector will grow rapidly in the coming years due to higher car ownership in developing economies. Electric vehicles can pose a serious threat to oil consumption provided they overcome significant challenges such as low ranges, long charging times, infrastructure requirements and legacy constraints > The Industrial sector will continue to increase its consumption of oil, given the development of energy intensive industries such as steel and cement in developing economies. Similarly, the petrochemicals sector will see increasing consumption thanks to a rise in global demand for end products such as plastics, despite bio plastics and greater efforts to recycle The impact of regulations to control oil use will largely be restricted to developed nations while economic considerations limit their impact in the rest of the world > Technological improvements have led to increased efficiency in all sectors in which oil is consumed, while also supporting the development of alternative sources. Alternative energy forms carry significant potential but face serious individual challenges, such as security concerns over nuclear power generation and the high cost of production applying to renewables, which reduces their impact in the short term. However, technological breakthroughs such as commercially viable algae fuels can pose a threat to oil demand in the long term > Demand is highly inelastic to price changes in the short term and hence price rises will only reduce oil demand minimally These factors indicate that, unless there are technological breakthroughs which make renew - able and electric vehicles more adoptable, total oil consumption will continue growing, albeit at a slightly lower rate. furthermore, they also hint towards a global split in demand trends between developing and developed countries, which is reflected in our forecasts. Hence, the prospect of oil demand flattening anytime soon is highly improbable.

### Uniqueness – Supply

#### Supply will remain steady in the near term

Kalkman, Pfeiffer, and Pereira 13

Jaap Kalkman, Walter Pfeiffer, Sergio Pereira, Roland Berger Turkey, Middle East & Africa, “Are we running out of oil?,” retrieved 7/11/14, JK. http://www.rolandberger.com/media/pdf/Roland\_Berger\_Are\_we\_running\_out\_of\_oil\_20131111.pdf

Accessible oil reserves have increased at an annual rate of 3% over the last decade thanks to increased explorations in deeper, further and harsher locations and technological breakthroughs, such as horizontal drilling which improve accessibility of oil reserves and efficiency of their extraction. Essentially, we're not running out of oil, we're discovering more reserves every year > Global oil production has increased at an annual rate of over 1% in the last decade, driven largely by increased production from non- o PEC countries and unconventional sources > Unconventional sources of oil such as shale oil and oil sands are expected to drive supply in the future as already seen in the USA, Canada and venezuela > The impact of political instability will be limited in the future due to an increasing number of sources and the short term effect of political events > oil prices will play a critical role in the future by influencing investments in unconventional sources of oil and determining total accessible reserves > Regulations against new methods of production such as hydraulic fracturing and deep water drilling will increase but are not expected to hinder overall production significantly Taking these factors into account, production will most likely continue growing as forecasted, with an increasing share of this production coming from tertiary recovery methods and unconventional sources. Such growth and potential implies that it is highly unlikely that the world will run short of oil anywhere in the near future. In fact, with an expected annual demand growth of 1%, the current proven reserves of 1.6 trillion barrels by themselves are sufficient to meet demand for well over 40 years, not taking into account the expected increase in global oil reserves.

### Uniqueness – AT: New Supply

#### New supplies will be absorbed by increased consumption from China and India

Simha 13

Rakesh, contributor to the Russia and India report, “Why shale is going stale and you can forget about low oil prices.” Retrieved 7/12/14, JK. <http://in.rbth.com/blogs/2013/12/01/why_shale_is_going_stale_and_you_can_forget_about_low_oil_prices_31277.html>

The single biggest factor that negates the shale boom and keeps prices high is the insatiable demand for energy in emerging countries. With global energy trade already re-oriented from the Atlantic basin to the Asia-Pacific region, China is set to become the world’s largest oil-importing country. And after 2020, India is forecast to become the largest single source of global oil demand growth, says the IEA. It is also on course to become the largest importer of coal by the early 2020s. An interesting development is that the Middle East will emerge as a major consumption centre, emerging as the second-largest gas consumer by 2020 and third-largest oil consumer by 2030. The IEA says the centre of gravity of global energy demand is now moving decisively towards emerging economies. By 2035 they will account for more than 90 per cent of net energy demand growth. So even if the US is able to flood the market with new oil, the likes of China and India will soak up that supply.

### Uniqueness – AT: Shale

#### Increases in shale production don’t decrease price – it gets consumed at home, doesn’t enter the global market

Simha 13

Rakesh, contributor to the Russia and India report, “Why shale is going stale and you can forget about low oil prices.” Retrieved 7/12/14, JK. <http://in.rbth.com/blogs/2013/12/01/why_shale_is_going_stale_and_you_can_forget_about_low_oil_prices_31277.html>

The IEA may be bullish on growth in US production related to the shale boom, but it notes that production will plateau and eventually decline as major oil fields in Texas and North Dakota will be past their prime. Also, rising US production does not mean low prices because whatever it produces is consumed internally. It is merely displacing imported Canadian and Venezuelan oil with the home drilled stuff. And because oil is an international commodity there is no significant impact on prices. So unless the United States becomes a large energy exporter – an unlikely scenario – shale oil won’t be a game changer. Route Magazine reports that because of strong anti-fracking grassroots movement in Europe, many countries have shelved unrealistic shale projects despite the fact that European energy prices are double those in the US. Germany has set strong barriers against fracking and France’s president Hollande has blocked shale initiatives. “The only apologist of fracking in the European Union is Britain, which is strongly influenced by US companies trying to sell it drilling equipment,” says the magazine. Poland – another loyal ally – has allowed fracking on its territory, but there too people have launched protests.

### Uniqueness – Russia

#### Instability in the ME keeps prices high in the sqo – keeps Russian economy from collapsing

Khvostunova, 13

Olga, Fulbright Scholar, Institute of Modern Russia Policy Advisor and Research Fellow, Acting Editor-in-Chief of imrussia.org, “Why Russia Doesn’t Need High Oil Prices,” retrieved 7/14/14, JK, http://imrussia.org/en/economy/574-why-russia-doesnt-need-high-oil-prices

Meanwhile, the Russian economy continues to sag. In September, the International Monetary Fund (IMF) estimated Russia’s GDP growth forecast at 1.5 percent this year. This is the third time the IMF has downgraded its forecast for Russia—earlier this year, its estimated growth rate for the country was 3.8 percent. This slowing down of its GDP growth rate is a troubling sign for Russia. But recent escalations of political strife in Syria and the Middle East at large have prompted discussion about the possibility that military conflict in this region might cause a sharp increase in oil prices, effectively creating an “opportunity window” for Russia, as about 40 percent of the Russian budget and 70 percent of its export proceeds come from the oil and gas sector.

### Uniqueness – Russia / Oil Prices

#### Iraq is pushing up Russian oil prices- economic future looks strong

WSJ 6/13

Wall Street Journal, Rueters Commodity News, If Oil Prices Keep Rising, Analysts Say Buy the Russian Ruble, June 13, 2014, http://blogs.wsj.com/moneybeat/2014/06/13/if-oil-prices-keep-rising-analysts-say-buy-the-russian-ruble/

If the conflict in Iraq escalates and keeps pushing oil prices higher, expect emerging-market bonds and currencies to feel the ripple effects. Oil prices jumped to a nine-month high this week on concerns that fighting in Iraq could spread to the country’s main oil fields and disrupt global supplies. A potential spike in oil prices would have big implications for developing countries, which often rely heavily on imports and exports of oil. It’s harder than you think to make a play on rising oil prices through emerging-market assets. Many of the big oil exporters like Saudi Arabia are countries with small financial markets whose currencies and bonds are not actively traded by global investors. But investors can still get some exposure to higher oil prices through Russia and Colombia. The most consistent gainer in an environment of higher oil prices is the Russian ruble, according to a study by Citigroup analysts. Russia is a huge exporter of oil, so higher oil prices means more money is being converted into the ruble to buy Russian oil.

#### Iraq pushing prices up, Ukraine doesn’t undermine prices

Scwab 6/16

Charles Scwab, Emerging Money Blog, Russia Oil Stocks As Oil Goes higher – Not How You Play It, June 16, 2014, http://www.nasdaq.com/article/russia-oil-stocks-as-oil-goes-higher-not-how-you-play-it-cm362203

Today we stare at the headlines, and there are two pressure points on Brent crude oil ( [BNO](http://emergingmoney.com/tag/BNO) , quote ) not WTI: Iraq imploding and Russia cutting off gas supplies to Ukraine. We expect what is good for Europe and Ukraine is ultimately good for Russia ( [RSX](http://emergingmoney.com/tag/RSX) , quote ), so we do not expect this to be a protracted stalemate the keeps gas from flowing into Europe in the near future. As for Iraq, what is unfolding clearly has implications for an oil market that we believe was already running major supply disruption risks that will keep prices high into the summer demand season as we also see signs of an uptick in global demand.

#### Oil prices are rising now- supply is going to fall short because of Iraq

Authers 6/18

John Authers, Financial Times, Investors need to guard against oil price spike, June 18, 2014, http://www.ft.com/intl/cms/s/0/1add303a-f63a-11e3-a038-00144feabdc0.html#axzz35QCEEnO1

Iraq insurrection This was all bad enough. Now there is a second problem. At the outset of this year, many alerted against [a real risk of a fall in the oil price](http://video.ft.com/2928847453001/Shale-shock/Markets), which at that point had been stable for several years. Shale gas was entering the equation, while political problems across the Middle East stood to be resolved, easing pressure on supply. The success of the [insurrection in Iraq](http://www.ft.com/intl/cms/s/0/1b9e5608-f6cf-11e3-b271-00144feabdc0.html) has changed that. Crude oil prices have surged to their highest in nine months. Most if not all of this bad news is now in the price; the rebels in Iraq are still a long way geographically from upsetting the country’s oil production. But as Iraq is central to projections of rising oil supply in the next two decades, any interruption there would be hugely important. So far, crude oil prices remain well within the range in which they have traded for some years. But the balance of risks for the future has shifted, with a sharp break to the upside far more likely than before. As with bond yields, this obliges equity investors to look again at their positioning.

### Links – OCS Drilling

#### OCS drilling increases domestic production by 40 percent

Hillegeist, Shafer, and Gross, 13

Paul, President and COO of Quest Offshore Resources, Sean Shafer, Project Executive, and Matt Gross, Project Diretor. “The Economic Benefits of Increasing US Access to Offshore Oil and Natural Gas Resources in the Atlantic,” December 2013, retrieved 7/13/14, JK

Atlantic OCS development would lead to an increase in domestic energy production . The first oil and natural gas production in the Atlantic OCS is projected to start in 2026 , given the scenarios ’ leasing assumptions . Initial annual production would be just over 6 thousand barrel s of oil equivalent per day (BOED ); by the second year production is projected to increase to over 65 thousand BOE D. Production is projected to reach 1.34 million BO E D by 2035, approximately 4 0 percent of which is expected to be oil at 550 thousand BOED , and 60 percent natural gas at 790 thousand barrels of oil equivalent (or 4 .6 billion cubic feet) per day. Production from deepwater projects is expected to account for 75 percent of production in 2035, compared to 25 percent of production for shallow water fields. (Figure 1 )

#### Expanding offshore drilling is key to reducing prices by expanding supply

Holt 12

(David Holt President, Consumer Energy Alliance, “Improve Supply of Domestic Energy First” March 21, 2012 10:54 AM, http://energy.nationaljournal.com/2012/03/whos-to-blame-for-high-gas-pri.php?comments=expandall#comments)

Expand access to offshore resources – The Bureau of Ocean Energy Management estimates that the Gulf of Mexico alone holds proven reserves of 20.43 billion barrels of oil and 184.6 trillion cubic feet of natural gas … as well as unproven reserves of 4.12 billion barrels of oil and 7.3 trillion cubic feet of gas It also predicted that both figures would grow as drilling technology improves in the future. Not to be outdone, the Chukchi and Beaufort Seas off the northern coast of Alaska hold an estimated 27 billion barrels of oil and 132 trillion cubic feet of gas. Make no mistake, the quantities of oil and gas under the waters off our coasts are vast and policies that promote more leasing and swifter approvals of new projects can make a big difference in our domestic energy supply. Ensure regulatory certainty for all on and offshore energy projects - When oil producers are subject to constantly shifting regulations covering their projects, they tend to produce less. Consider the 2010 moratorium on deepwater drilling in the Gulf of Mexico when several rigs left the region for places like Angola, Egypt and Vietnam as a result. Policies can be changed easily and often, but the producers that must follow these polices are slowed down by an uncertain regulatory environment. All of the above actions can be summed up in three words: improve domestic supply. We all know that supply is a key factor influencing prices. The worldwide political and economic factors that influence fuel prices may be complex, but we should not lose sight of the simple strategies we have at our disposal to take back some control by tapping our own natural resources.

### Links – Alternative Energy

#### Alternative energy lowers oil prices

Strand 7

(Jon, The Energy Journal [http://goliath.ecnext.com/coms2/gi\_0199-7309937/Technology-treaties-and-fossil-fuels.html] Technology treaties and fossil-fuels extraction/ October 1, 2007)

Assume that a treaty will lead to increased international funding of technology developments, which in turn implies a likelihood that a new energy technology will be developed. Assume that the alternative technology, once developed, implies a constant marginal energy cost, lower than the (assumed constant) cost of extracting fossil fuels. (3) Fossil fuels will then become redundant once the new technology is adopted, and no more fossil fuels will be extracted from then on. (4) We assume that the time it takes to develop such a technology is stochastic, modeled in a very simple way, as exponentially distributed with constant parameter [lambda](with expected period until development equal to 1/[lambda]). One so far overlooked implication of such a scenario is that the prospect of developing a new and more efficient energy technology will affect incentives of fossil-fuel producers to extract and market the resource, in both the short and the longer run. In the model, dealt with in Sections 2-3 below, we assume that the fossil-fuel market is competitive on a global scale, there is no market uncertainty, and there is initially a zero probability of developing an alternative technology replacing fossil fuels. The initial resource price (prior to any technology treaty) can then be shown to evolve according to the so-called Hotelling rule, whereby the growth rate for the real resource price (net of extraction cost) equals the real rate of interest, r, in the economy. (5) In Section 2 below we first show that, when the technology treaty is in place, the equilibrium price and extraction path for the resource will both shift as a result. Along the new price path, the net resource price will grow at the higher rate r+[lambda]. The entire resource price path shifts down, resulting in a higher volume of extraction at any given date until the resource is fully extracted, or until the new technology is developed. Intuitively, when fossil-fuel producers are made aware of an increased likelihood that their resource may become redundant within a limited future time period, the incentive will be to extract it more quickly. For a given demand function directed toward fossil fuels, with global fossil-fuel demand a decreasing function of the price, this must mean a lower market price of fuel

### Links – OMEGA

#### The affirmative is a black swan event for the oil industry - algae is so cost efficient, it will significantly decrease the price of oil

Kalkman, Pfeiffer, and Pereira 13

Jaap Kalkman, Walter Pfeiffer, Sergio Pereira, Roland Berger Turkey, Middle East & Africa, “Are we running out of oil?,” retrieved 7/11/14, JK. http://www.rolandberger.com/media/pdf/Roland\_Berger\_Are\_we\_running\_out\_of\_oil\_20131111.pdf

While these are expected outcomes, black swan events which change the dynamics of an industry may occur. Therefore, we also analysed potential game changers which might prove one or all of our predictions wrong. In particular, technological innovations such as a biofuel revolution triggered by algae based feedstock, cheaper and more accessible renewable energy and an increasingly consumer friendly electric car industry are real threats to oil consumption on the long run, which may lead to lower demand and therefore lower prices. Ultimately, we hope that an understanding of the trends and risks associated with the oil industry will enable producers, businesses and governments alike to develop effective and sustainable strategies that can withstand these black swan events while delivering maximum results.

#### Algae biofuels will decrease the demand for oil

Kalkman, Pfeiffer, and Pereira 13

Jaap Kalkman, Walter Pfeiffer, Sergio Pereira, Roland Berger Turkey, Middle East & Africa, “Are we running out of oil?,” retrieved 7/11/14, JK. <http://www.rolandberger.com/media/pdf/Roland_Berger_Are_we_running_out_of_oil_20131111.pdf>

The most common forms of biofuel are bioethanol and biodiesel, which are primarily used in road transportation as a substitute for petroleum fuels such as gasoline and diesel. Biofuel production has seen rapid increase in recent years, which is largely due to favourable government regulations with blending mandates requiring a minimum level of biofuel usage in road transportation. Biofuel can be produced from a variety of feedstock: food crops, cellulosic biomass and algae biomass, which are also referred to as third generation feedstock. The production of biofuels from algae is considered to be a game changer owing to the extremely high yield compared to other feedstock. other benefits include the ability to grow in harsh conditions, non-arable land and a wide variety of water sources (fresh, brackish, saline and wastewater). It also presents potential environmental benefits with its ability to recycle C o 2 and other nutrient waste streams. However, cultivation of algae and extraction of the oil is currently expensive –ranging anywhere between USD 0.75/l to more than USD 5.00/l, excluding costs to convert the oil to biofuel. Significant R&D investments are needed to be able to realize commercial production of algae based biofuels. The past few years have seen such investments both from governments, such as the USD 100 m investment from the US Department of Energy in 2009 and from private energy players such as Exxon's USD 600 m investment in algae biofuel research. Several other oil/ chemical players such as Chevron, BP and Dow have established strategic partnerships to fund algae research. If these investments lead to a technological breakthrough which results in low cost production of algae biofuels, it could further curtail the demand for crude based oil.

#### Algae can replace 17% of oil imports

While ‘11

(Franny, Pacific Northwest National Laboratory, “Study: Algae Could Replace 17% of U.S. Oil Imports,” 4-20, http://www.renewableenergyworld.com/rea/news/article/2011/04/study-algae-could-replace-17-of-u-s-oil-imports)

High oil prices and environmental and economic security concerns have triggered interest in using algae-derived oils as an alternative to fossil fuels. But growing algae — or any other biofuel source — can require a lot of water. However, a new study shows that being smart about where we grow algae can drastically reduce how much water is needed for algal biofuel. Growing algae for biofuel, while being water-wise, could also help meet congressionally mandated renewable fuel targets by replacing 17 percent of the nation's imported oil for transportation, according to a paper published in the journal Water Resources Research. Researchers at the Department of Energy's Pacific Northwest National Laboratory found that water use is much less if algae are grown in the U.S. regions that have the sunniest and most humid climates: the Gulf Coast, the Southeastern Seaboard and the Great Lakes. "Algae has been a hot topic of biofuel discussions recently, but no one has taken such a detailed look at how much America could make - and how much water and land it would require — until now," said Mark Wigmosta, lead author and a PNNL hydrologist. "This research provides the groundwork and initial estimates needed to better inform renewable energy decisions." Algal biofuel can be made by extracting and refining the oils, called lipids, that algae produce as they grow. Policy makers and researchers are interested in developing biofuels because they can create fewer overall greenhouse gas emissions than fossil fuels. And biofuels can be made here in the United States. In 2009, slightly more than half of the petroleum consumed by the U.S. was from foreign oil. Wigmosta and his co-authors provide the first in-depth assessment of America's algal biofuel potential given available land and water. The study also estimated how much water would need to be replaced due to evaporation over 30 years. The team analyzed previously published data to determine how much algae can be grown in open, outdoor ponds of fresh water while using current technologies. Algae can also be grown in salt water and covered ponds. But the authors focused on open, freshwater ponds as a benchmark for this study. Much of today's commercial algae production is done in open ponds. Crunching the Numbers First, the scientists developed a comprehensive national geographic information system database that evaluated topography, population, land use and other information about the contiguous United States. That database contained information spaced every 100 feet throughout the U.S., which is a much more detailed view than previous research. This data allowed them to identify available areas that are better suited for algae growth, such as those with flat land that isn't used for farming and isn't near cities or environmentally sensitive areas like wetlands or national parks. Next, the researchers gathered 30 years of meteorological information. That helped them determine the amount of sunlight that algae could realistically photosynthesize and how warm the ponds would become. Combined with a mathematical model on how much typical algae could grow under those specific conditions, the weather data allowed Wigmosta and team to calculate the amount of algae that could realistically be produced hourly at each specific site. Water for Oil The researchers found that 21 billion gallons of algal oil, equal to the 2022 advanced biofuels goal set out by the Energy Independence and Security Act, can be produced with American-grown algae. That's 17 percent of the petroleum that the U.S. imported in 2008 for transportation fuels, and it could be grown on land roughly the size of South Carolina. But the authors also found that 350 gallons of water per gallon of oil — or a quarter of what the country currently uses for irrigated agriculture — would be needed to produce that much algal biofuel. The study also showed that up to 48 percent of the current transportation oil imports could be replaced with algae, though that higher production level would require significantly more water and land. So the authors focused their research on the U.S. regions that would use less water to grow algae, those with the nation's sunniest and most humid climates. But the authors also found that algae's water use isn't that different from most other biofuel sources. While considering the gas efficiency of a standard light-utility vehicle, they estimated growing algae uses anywhere between 8.6 and 50.2 gallons of water per mile driven on algal biofuel. In comparison, data from previously published research indicated that corn ethanol can be made with less water, but showed a larger usage range: between 0.6 and 61.9 gallons of water per mile driven. Several factors — including the differing water needs of specific growing regions and the different assumptions and methods used by various researchers — cause the estimates to range greatly, they found. Because conventional petroleum gas doesn't need to be grown like algae or corn, it doesn't need as much water. Previously published data indicated conventional gas uses between about 0.09 and 0.3 gallons of water per mile. More to Consider Looking beyond freshwater, the authors noted algae has several advantages over other biofuel sources. For example, algae can produce more than 80 times more oil than corn per hectare a year. And unlike corn and soybeans, algae aren't a widespread food source that many people depend on for nutrition. As carbon dioxide-consuming organisms, algae are considered a carbon-neutral energy source. Algae can feed off carbon emissions from power plants, delaying the emissions' entry into the atmosphere. Algae also digest nitrogen and phosphorous, which are common water pollutants. That means algae can also grow in — and clean — municipal waste water. "Water is an important consideration when choosing a biofuel source," Wigmosta said. "And so are many other factors. Algae could be part of the solution to the nation's energy puzzle — if we're smart about where we place growth ponds and the technical challenges to achieving commercial-scale algal biofuel production are met."

#### Algae can replace oil

Gehrke ‘12

(Joel, “Obama: Use 'algae' as substitute for oil,” 2-23, <http://washingtonexaminer.com/obama-use-algae-as-substitute-for-oil/article/1141536#.UFYwcPurvNA>)

President Obama admitted today that he does not have a "silver bullet" solution for skyrocketing gas prices, but he proposed alternative energy sources such as "a plant-like substance, algae" as a way of cutting dependence on oil by 17 percent. "We’re making new investments in the development of gasoline, diesel, and jet fuel that’s actually made from a plant-like substance, algae -- you've got a bunch of algae out here," Obama said at the University of Miami today. "If we can figure out how to make energy out of that, we'll be doing alright. Believe it or not, we could replace up to 17 percent of the oil we import for transportation with this fuel that we can grow right here in America." The Department of Energy (DOE) currently spends about $85 million on 30 research projects "to develop algal biofuels," according to the White House, which announced that Obama is committing another $14 million to the idea.

### Links – Perception

#### Market signal is key—-even if the plan doesn’t increase production for 10 years changing government signal causes prices to crash

Munro 12

Neil, Daily Caller, "Oil prices fall on rumor, but Obama insists nothing can be done" 3/17 dailycaller.com/2012/03/17/oil-prices-fall-on-rumor-but-obama-insists-nothing-can-be-done/2/

President Barack Obama repeatedly says there’s no magic wand to force down gas prices and salve the public’s increasing anger. His spokesmen say there’s no magic wand, quick fix, or silver bullet. But mere rumors quickly cut $2 off the $106 per-barrel Thursday morning, The price fell because traders reacted to rumors that the White House was going to sell oil from the nation’s oil storehouse, the Strategic Petroleum Reserve. The prospect of a sudden increase in supply, amid slack demand in a stalled economy, prompted a rush of oil trades which dropped the price by just over $2 in one hour. The rumor was false, and prices lurched back up to $105 by the end of the Thursday, and $107 by the end of Friday. But the rapid shifts in price shows how the supply of oil is so low that it is bumping against slack demand. That collision raises prices somewhat because oil-traders buy, sell, dump or hoard oil to make incremental profits whenever they predict a local or temporary shortage or surplus. The mere rumor of a SPR sell-off dropped prices by $2, or 2 percent. But there was a real sell-off in 2008 when prices fell by $9.26 during a announcement by President George W. Bush that he would push to open up new areas for oil exploration. That presidential promise of more oil yielded a 6.3 percent drop from the prevailing price of $136, even though that oil would not come online for 10 or 15 years. Thursday’s temporary drop “tells us what the American Petroleum Institute has been saying for weeks — that the president can do something now that will put downward pressure on prices,” said Eric Wohlschlegel, API’s spokesman. The price drop shows what could be accomplished if the president really wanted to increase supplies of U.S. oil energy, said Dan Kish, senior vice president at the Institute for Energy Research. Obama’s claim “that there is nothing he can do about oil prices is pure unadulterated bullshit,” Kish said. “If he announced to forward markets that the United States was going to get serious about starting to produce its energy…. it would put down pressure on price, huge downward pressure,” he said. “You’re not going to drop it to $50 a barrel, but you’d put a huge amount of downward pressure on it,” he said. The oil would not arrive for years, but many people would be immediately hired to help develop the oil fields, he said. However, Obama is curbing oil supplies, and forcing up oil prices, to protect his business and political allies in the green-tech sector, Kish said. Lower oil prices would ruin allies’ business plans, slam the bank balances of his venture capital donors, cut funding for the environmental groups and disrupt his crony capitalist networks, Kish said. On March 15, Obama denounced his critics’ calls for a Bush-like action to increase the oil supply, even as he tried to take credit for work done by Bush, by state officials and by oil companies during the last several years.

### Links – Oil

#### Increased US production lowers the global price of oil

Blackwill and O’Sullivan 14 Robert, Senior Fellow at the Council of Foreign Relations Meghan, Jeane Kirkpatrick Professor of the Practice of International Affairs and Director of the Geopolitics of Energy Project at Harvard

(March/April 2014, “America's Energy Edge: The Geopolitical Consequences of the Shale Revolution” Foreign Affairs, http://www.foreignaffairs.com/articles/140750/robert-d-blackwill-and-meghan-l-osullivan/americas-energy-edge)

The most dramatic possible geopolitical consequence of the North American energy boom is that the increase in U.S. and Canadian oil production could disrupt the global price of oil -- which could fall by 20 percent or more. Today, the price of oil is determined largely by the Organization of the Petroleum Exporting Countries, which regulates production levels among its member states. When there are unexpected production disruptions, OPEC countries (primarily Saudi Arabia) try to stabilize prices by ramping up their production, which reduces the global amount of spare production capacity. When spare capacity falls below two million barrels per day, the market gets jittery, and oil prices tend to spike upward. When the market sees spare capacity rise above roughly six million barrels a day, prices tend to fall. For the past five years or so, OPEC’s members have attempted to balance the need to fill t heir public coffers with the need to supply enough oil to keep the global economy humming, and they have managed to keep the price of oil at around $90 to $1 10 per barrel. As additional North American oil floods the market, OPEC’s ability to control prices will be challenged. According to projections from the U.S. Energy Information Administration, between 2012 and 2020, the United States is expected to produce more than three million barrels of new petroleum and other liquid fuels each day, mainly from light tight oil. These new volumes, plus new supplies coming on line from Iraq and elsewhere, could cause a glut in supply, which would push prices down -- especially as global oil demand shrink s due to improved efficiency or slower economic growth. In that event, OPEC could have a hard time maintaining discipline among its members, few of which are willing to curb their oil production in the face of burgeoning social demands and political uncertainty. Persistently lower prices would create short falls in the revenues they need to fund their expenditures.

### Internals – Increased Production = Decreased Prices

#### Increased oil production domestically drops global prices

Pyle 11 (Thomas J. Pyle President, Institute for Energy Research (IER), “American Production Sways Oil Prices” May 12, 2011 11:14 AM, http://energy.nationaljournal.com/2011/05/what-sways-global-oil-prices.php?comments=expandall#comments)

The current administration only offers 2.2 percent of federal offshore areas and less than 6 percent of federal lands onshore for energy production. As a result, at least 60 billion barrels of America’s domestic oil resources are off limits. On top of that, the Obama Administration stopped all drilling in the Gulf of Mexico for the past year and has only recently issued permits, albeit at a snail’s pace. The consequence of that slowdown has decreased oil production in the Gulf of Mexico by 360,000 barrels per day from EIA’s expectations. Needless to say, the government is playing a major role in the rising price of oil. While oil demand is rapidly rising in the developing world, the Obama Administration has essentially sent a signal to the market that the world’s third largest producer is closed for business. It should come as no surprise that prices are rising. To see what happens when the opposite signal is sent to the market, look at the expiration of the executive and congressional moratoria on Outer Continental Shelf energy exploration and production back in 2008. The price of crude oil dropped over nine dollars immediately when President Bush rescinded the executive moratoria. When the congressional ban expired, the price dropped even further. The combined cost of crude oil and taxes comprise 80 percent of the price of a gallon of gasoline. If the price of crude oil declines, the price of gas is sure to follow. But the Obama Administration’s supposed solutions to high gasoline prices will lead to the exact opposite. One proposal being pushed today – to prevent oil companies from using tax deductions that other industries are allowed to use – would raise the price of producing oil in America and encourage companies to look in other nations where the tax rate is lower. In addition, Secretary of Interior Ken Salazar has effectively postponed any new exploratory leases in the OCS until at least 2017. Both of these “solutions” are attempts to deflect blame for the rising price of oil. Unfortunately, these plans add further speculation that oil supplies are set to be even more restricted while global demand grows. One solution that would put strong downward pressure on oil prices is present in IER’s new model energy legislation, the American Energy Act. The Act directs the Secretary of Interior to lease ten percent of federal onshore and offshore lands, as opposed to the mere 2.2 percent of federal offshore areas and less than 6 percent of federal lands onshore that are currently leased. Opening up these energy-rich areas would promote robust domestic energy production and increase America’s proven reserves by billions of barrels of oil. As was the case with the expiration of the OCS moratoria, the expectation of future supply increases will put a downward pressure on the price of oil. As anti-energy advocates are quick to point out, oil is a global commodity. What they fail to realize (or hope to cover up) is that American oil production is an important factor in this commodity’s price. If the world’s third largest oil producer is taking steps to decrease production, as the Obama Administration has undoubtedly done, then the market will respond. Until our government indicates a desire to increase domestic energy production, American consumers will be forced to rely more and more on foreign, state-owned energy companies, many of which are openly hostile to the American way of life. We can – and should – drill our way out of this problem.

#### US oil production would quickly drop global prices – small amounts are sufficient

Hunt 12 (Gary Hunt is President, Scalable Growth Strategy Advisors, an independent energy technology and information services adviser and a partner in Tech & Creative Labs, a disruptive innovation software collaborative of high tech companies focused on the energy vertical. He served as VP-Global Analytics & Data at IHS/CERA; global Division President at Ventyx, now an ABB company; and Assistant City Manager-Austin Texas responsible for Austin Energy and Austin Water, “How the U.S. Could Protect Itself Against Volatile Oil and Gas Prices” Tue, 17 April 2012 22:25, http://oilprice.com/Energy/Oil-Prices/How-the-U.S.-Could-Protect-Itself-Against-Volatile-Oil-and-Gas-Prices.html/)

Will America put its ‘spare capacity in oil to good use? Spare oil capacity is that small amount of oil at the margins of global market equilibrium that sets the trading price of oil and gives producers, buyers and speculators the signal about price movements. How much swing capacity does it take to push the price of oil up or down? Much less than you think! The pricing power of OPEC has traditionally been exercised by the ability of Saudi Arabia to expand or withhold about five million barrels of oil per day in spare swing capacity. We have seen this pricing power again recently as global markets got nervous about the loss of oil from Libya. So the Saudi’s said they would make it up. But while Saudi Arabia can increase production fast if needed it will not do so for long to protect its dominant role in the oil markets over time. But what if America’s domestic energy production growth could double or triple the spare capacity in global markets? Would OPEC simply withhold capacity to drive the price back up? Current 2% per day and demonstrate that domestic US oil production growth will more quickly reduce America’s oil imports that we would see world oil prices fall dramatically.

### Internals – Oil Price = Energy Mkts

#### Oil prices positively correlated with other energy prices across sectors

Albrecht et al., 14

Uwe, Matthias ALTMANN, Jan ZERHUSEN, Tetyana RAKSHA , Patrick MAIO, Alexandre BEAUDET, Paola TRUCCO, Christian EGENHOFER, Arno BEHRENS , Jonas TEUSCH, Julian WIECZORKIEWICZ, Fabio GENOESE, Guy MAISONNIER. “The Impact of the Oil Price on EU Energy Prices,” Economic and Scientific Policy Department, Directorate-General of the European Parliament, pg. 16. <http://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/518747/IPOL-ITRE_ET%282014%29518747_EN.pdf>, retrieved 7/12/14, JK

Natural gas, coal, electricity, and oil product prices more or less clearly move parallel to the oil price. Correlation of the oil price with gas price s is strong (both for import prices and for spot prices), slightly weaker with steam coal, and very strong for oil products, whereas electricity only correlates moderately with the oil price. However, in contrast to the oil price, steam coal prices have been slowly declining since late 2011 and correlation has gone down. Correlation effects are not instantaneous, but follow the oil price with a time lag of 3 - 6 months for natural gas and steam coal, and 3 - 4 months for electricity. No time lag is observed for oil products.

### Internals – Energy Independence / Consumption

#### High oil prices ensure American energy independence, decrease oil consumption

Alquist and Guénette, 13

Ron Alquist and Justin- Damien Guénette, International Economic Analysis Department, Bank of Canada, “A Blessing in Disguise: The Implications of High Global Oil Prices for the North American Market,” Retrieved, 7/11/14, JK. <http://www.bankofcanada.ca/wp-content/uploads/2013/07/wp2013-23.pdf>

Even in the best - case scenario, the increase in U.S. oil production will mostly be devoted to offsetting the decline in oil production in conventional oil fields and, possibly, OPEC production cuts in response to the expansion in North American supply. Thus, the effect of increased production on global prices will likely be limited. Furthermore, the United States enjoys unique infrastructural and technological advantages that make it unlikely that similarly rapid increases in unconventional production can be achieved elsewhere. Thus, high oil prices are a blessing in disguise for the United States. By simultaneously encouraging growth in oil production and reduced oil consumption , elevated oil prices have put the long - standing goal of U.S. energy independence within reach.

### Internals - US =/= Global Prices

#### US oil production doesn’t affect global prices –Speculation is useless

Alquist and Guénette 14 \*Ron, Bank of Canada \*\*Justin-Damien, Senior Analyst in the Emerging Markets Division of the International Department

(January 2014, “A blessing in disguise: The implications of high global oil prices for the North American market” Energy Policy, Volume 64, January 2014, Pages 49–57)

When set alongside the 89 million barrels of oil produced every day in 2012, the increased oil production in North America is unlikely to have a large effect on the global oil market’s demand–supply balance. The ability of the United States to displace about 4 million barrels per day of foreign oil imports between 2005 and 2012 must be measured against the increase of 10 million barrels per day in non-OECD oil demand over the same period (IEA, 2013). Similarly, the Energy Information Administration’s projected increase in tight crude oil from shale production, from 2 million barrels per day in 2012 to 2.8 million barrels per day by 2020, is insufficient to meet domestic demand (EIA, 2012). Even an optimistic scenario in which U.S. oil production increases by 1.9 million barrels per day by 2020 implies a net global supply addition of less than 3% (Maugeri, 2012). It is also unclear whether U.S. refiners can provide a sustainable source of demand for light sweet oils due to their preference for heavy crude oil. Growing Canadian volumes from the oil sands have also contributed to the large increase in the production of oil in North America. The existing North American transportation infrastructure that was designed to carry Canadian and other foreign oil imports to U.S. markets has transported Canadian crudes to the Midwest and exacerbated local excess-supply conditions. As discussed above, it will take time to complete the reorientation of the transportation network and the liberalization of the export and shipping of domestically produced oil required to integrate the North American crude market more fully with global markets. These factors alone caution against making strong predictions about the quantitative importance of new North American supplies on the global oil market. According to the model discussed in Section 2, a scenario in which North American production adds a net 3.4 million barrels per day to global supply over the next 3 years would, all else equal, result in only a 13% reduction in real global oil prices by the end of 2015. The limited effect on prices of such a large and rapid increase in U.S. unconventional production is consistent with the results obtained from similar models (Baumeister and Kilian, 2012 and Alquist et al.,). Moreover, this projected reduction in prices assumes no unexpected demand shocks, no offsetting OPEC response and continued production growth. For example, the emergence of infrastructure constraints in Canada and their consequences for Canada’s ability to continue exporting at the same rate suggest that this scenario is less likely.22

### Internals – China

#### Chinese demand will outpace the US, cheap oil key to Chinese growth

Kalkman, Pfeiffer, and Pereira 13

Jaap Kalkman, Walter Pfeiffer, Sergio Pereira, Roland Berger Turkey, Middle East & Africa, “Are we running out of oil?,” retrieved 7/11/14, JK. <http://www.rolandberger.com/media/pdf/Roland_Berger_Are_we_running_out_of_oil_20131111.pdf>

China is the second largest consumer of oil in the world, with its remarkable economic growth leading to a 31% increase in demand between 2006 and 2011. The key demand trends here are: + China still has a relatively low per capita consumption suggesting enormous upward potential. furthermore, China's economy managed to grow at over 9% per annum during the financial crisis and is expected to continue growing as global demand for its manufacturing industry rises, post the crisis. In fact, o PEC believes that China could overtake USA as the world's leading importer of oil as soon as 2014 – The Chinese government is investing heavily in renewable energy following growing concerns over pollution in its cities – accounting for 25% of worldwide investments in solar power, 37% of investments in wind power and 47% of investments in all other forms of renewable energy Thanks to continued economic progress, the Chinese demand for oil is expected to increase by almost 15% to 2016.

### Internals – Oil Prices k2 Russia Economy

#### Russia’s economy is completely reliant on the energy markets, low oil prices crushes their economy and economic stability

Epstein, 14

Gene, Contributor to Barron’s, “Here Comes $75 Oil,” Barrons, retrieved 7/12/14, JK. http://online.barrons.com/news/articles/SB50001424053111903536004579459323209921860

Over the next five years, the effects of the global oil-and-gas boom should prove a grim object lesson for the Russian economy on the downside of the "resource curse." Russia's economy "largely depends on energy exports," according to a study from the U.S. Energy Information Administration. That works well when prices are high, but quite badly when prices fall. Oil-and-gas revenues account for 70% of Russia's total exports and more than half the income of its federal government. Russia exports more than seven million barrels of oil a day, second only to Saudi Arabia. One key difference between Russia and the No. 1 exporter is that more than 60% of Russian oil is produced in Siberia, where costs are much higher. A fall in the world price to $75 from $100 would therefore have a much greater impact on the net revenues that Russia earns from oil than is earned by the Saudis. The downside of the resource curse could also be felt in Russia's reliance on sales of natural gas. About 75% of Russia's natural gas exports go to Western Europe, providing 30% of its requirements, at prices that are two and three times the price in the U.S. That enormous premium stems from the fact that there is no world market for natural gas, given the prohibitive cost of shipping it in its unaltered state. Hence, the argument for accelerated approval of liquefied-natural-gas export terminals. With abundant natural gas now available in so much of the world -- including Australia, South Africa, Brazil, and Argentina -- within the next five years, something resembling a global market in liquefied natural gas will likely develop. That would break the local monopoly of the Russians in their market, enabling Europeans to buy from other sources, and weighing on the premium Russian gas now commands.

#### Downfall of the oil industry collapses the Russian economy

Dashevsky 11

Steven,“The Russian economy and its oil” [http://rt.com/business/news/russia-economy-oil-rpice/] May 24

RT: High oil prices have helped Russia’s budget but is the country too dependent on energy exports? SD: “Well the dependence has declined greatly in recent years, but I think the sad truth remains that, to a very significant degree, Russia’s budget revenues and overall fiscal health is still very dependent on the level of oil prices.” RT: How does the energy sector shape the Russian investment climate? SD: “Well, there are many ways how the events happening in the oil and gas sector influence what is happening in the broader economy. On the one hand this is the biggest source of cash flow generation in the country, so in a sense it’s the biggest source of investment funds, both for the companies, and for the government and also because oil companies invest very significant amounts of money every year, so the ability of Russian oil companies to spend money affects really the entire Russian economy – from transport companies to oil service companies to catering companies to local airlines – so it is still, despite the significant efforts to diversify the economy, it’s a very important source of investment funds.That’s kind of one angle, and another angle is what is happening in the Russian oil and gas sector, since it is the biggest sector in the economy, affects the general investment climate, from the kind of sentiment perspective.So, when something good happens like potentially was going to happen, BP-Rosneft deal, or if there are good events happening, new fields are being developed, new pipelines are being brought on-stream, that gives investor additional confidence that the economy is progressing very well, and people are investing money in it, and the whole country is open for business.Vice versa, if things are not going well, if deals are breaking up, if instead of going to work people going to courts against each other, that clearly creates a big drag on the investors sentiment for all of the Russian economy, not just oil and gas.”

### Internals - Russia k2 Global Economy

#### Russian economy is key to the global economy

Australian Financial Review 2K

January 8,. afr.com

As a big debtor nation, Russia’s ability to meet its financial obligations also matters to world markets – as the Russian rouble’s collapse and accompanying loan default in August 1998 starkly revealed. The crisis raised fears of a domino effect across emerging markets that could ultimately push the global economy into recession**.** That, in the end, didn’t occur. But an economist specializing in Russia at the European Bank for Reconstruction and Development, Ivan Szegvari, says the confidence of international investors in emerging markets, and transitional economies as a whole, is affected by what happens in Russia. In addition, Russia remains one of the most important clients of international financial institutions such as the International Monetary Fund.

### Internals – Oil Prices k2 Saudi Stability

#### High oil prices are key to Saudi budget needs – allows spending to prevent uprisings

Carey 12

(Glen Carey, reporter for Bloomberg News, 2/23/12, “The Saudis Need Those High Oil Prices” http://www.businessweek.com/articles/2012-02-23/the-saudis-need-those-high-oil-prices)

The evolving price targets have everything to do with the Saudis’ “budget needs” in response to the Arab Spring, says Robin Mills, an analyst at Manaar Energy Consulting in Dubai. In February 2011, King Abdullah returned home from medical treatment in the U.S. to announce a spending plan that would quiet the restive parts of the Saudi population. By the end of 2011’s first quarter the kingdom had allocated $130 billion in additional spending to build homes and combat youth unemployment. Government spending increased 28 percent last year to 804 billion riyals ($214 billion), while government revenue surged 51 percent, to 1.1 trillion riyals, according to Ministry of Finance Data. The spending has achieved its political purpose: The House of Saud’s eight-decade rule survived unscathed as Hosni Mubarak and Muammar Qaddafi were toppled, despite sporadic protests in the Shiite areas of Saudi Arabia’s Eastern Province. The Saudi economy expanded 6.8 percent in 2011, central bank data show. Government employees were even awarded two months in bonus pay last year—an act of generosity that cost the government an extra 224 billion riyals over budgeted expenses. Oil sales make up 80 percent of Saudi government revenue, says Faisal Hasan, head of research at Kuwait-based Global Investment House. Two years ago the kingdom needed an oil price per barrel of around $70 in order to pay for its budget without tipping into deficit. For 2011, the Saudis’ break-even oil price was estimated by the International Monetary Fund to have risen to $80 a barrel, a figure that will increase to $98 a barrel by 2016. Saudi Arabia will have to keep spending heavily if it is to create 3 million jobs over the next three years, King Abdullah’s stated goal. The Saudis are spending on defense too: the U.S. has agreed to sell the country 84 F-15 fighter jets for $29.4 billion.

#### Saudi economy and budget expenditures are key to internal stability

Gause 11

(F. Gregory Gause, PROFESSOR OF POLITICAL SCIENCE UNIVERSITY OF VERMONT, December 2011, “Saudi Arabia in the New Middle East” Council on Foreign Relations Special Report No. 63)

Saudi Arabia has been the least affected of the major Arab states by the upheavals of 2011 that have brought down three leaders and continue to threaten others in the region. This is not because the country is uniquely immune to the social, economic, and political forces that led to regime crises elsewhere in the Arab world. Indeed, Saudi rule is as autocratic as that of Egypt under Mubarak—perhaps more so. The events of 2011were closely followed by Saudis and inspired some demonstrations, par-ticularly in Shia-majority areas of the Eastern Province. The demands for political reform heard throughout the Arab world were echoed in Saudi Arabia. Two important petitions that emerged during the winter of 2011 called for an elected legislature to bring the Saudi public into the decision-making process, indicating that at least some Saudis felt the same impulses that animated protestors in other Arab states. Unlike the monarchs in Morocco and Jordan, however, the al-Saud regime did not even promise political reform down the line. Although Saudi Arabia is not as poor as Egypt, its per capita income is less than that of Bahrain, where public protests were massive, and 39 percent of Saudis between the ages of twenty and twenty-four are unemployed. Inflation has eaten away at the purchasing power of middle-class Saudis. Complaints about the deterioration of state-provided services and social corrup-tion are as common in the kingdom as they are in other Arab countries. WHY SAUDI ARABIA REMAINED STABLE The relative calm of the kingdom during the Arab upheavals is not because there are no reasons to protest. Rather, four factors con-tributed to the stability of the Saudi regime in this time of enormous regional change. Buying Loyalty First is money. The Saudi rulers, in two decrees in February and March2011, committed to spending nearly $130 billion over the next several years on their citizens. The biggest commitment was in housing (more than half the total spending), with a promise to build five hundred thou-sand homes over the next five years and to vastly increase the availability of state loans for home purchases. There were also immediate payouts: a one-time bonus equivalent to two months’ salary for government employees, military personnel, and retirees with the largest private-sec-tor employers following suit; the introduction of unemployment benefits; an increase in the minimum wage for the vast majority of Saudis in the workforce who are employed by the state or parastatal enterprises; a con-tinuation of the 5 percent (approximate) inflation allowance to state sala-ries; and the creation of more than sixty thousand new public sector jobs. Unlike Egypt, Syria, Tunisia, Yemen, or even Bahrain, Saudi Arabia had the money in the bank to fund a massive increase in state payouts during the crisis. (Libya had the money, but Qaddafi was not adroit enough to use it in a timely manner.) It has had it because oil prices have been so high for the past several years. The Saudi Arabian Monetary Agency, the country’s central bank, had $481 billion in foreign assets on hand in May 2011, more than enough to cover the new spending pro-grams. Even with the new financial obligations, the break-even price of oil the price the Saudis need to meet their fiscal obligations remains below the market price. At least in the short term, the Saudis will have plenty of money at hand to deflect social and political pressures.

#### Saudi Arabia oil economy key to stability

Pierce 12

(Jonathan Pierce, Ph.D. candidate at the School of Public Affairs, University of Colorado Denver, 5/1/12, “Oil and the House of Saud: Analysis of Saudi Arabian Oil Policy” Digest of Middle East Studies Volume 21, Issue 1, pages 89–107 Wiley)

The main political factors in determining oil policy are internal political stability; long-term global dependence on oil as the major, if not the dominant, source of energy; developing and maintaining excess capacity; regional security; and foreign relations with oil producer and consumer countries, in particular the United States. Saudi Arabia is a rentier state. A rentier economy is an economy that relies on substantial external rents. In the case of the Saudis, the external rents of oil export revenue represent more than 60% of state income (Cordesman, 2003). This means the Saudis’“economic power and ultimately their political authority rest on their dual capacity to extract rents externally from the global environment and subsequently distribute these revenues internally” (Karl, 1997, p. 49). The Saudis have integrated social forces within Saudi Arabia to have strong stakes in the perpetuation of the oil economy because citizenship is a source of economic benefit. By utilizing state expenditures and subsidies, they have created a patrimonial system of public goods and private favors. This system of virtually no taxes replaced by allocation of expenditures means that citizens are far less demanding in terms of political participation. Therefore, the citizens of Saudi Arabia are at least passive and in most cases provide tacit support for the Saudis. The nature of the sources of income of the state influences the basis of politics within Saudi Arabia (Luciani, 1987). The essential political impact of the rentier economy is that the Saudis are free from raising internal income, which means internal politics is relatively passive. Therefore, the focus of Saudi political decisions for raising revenue is not internal, but rather is on external rents from oil production to maintain this social and political stability.

#### Stable oil prices key to spending on social services in SA

Pierce 12

(Jonathan Pierce, Ph.D. candidate at the School of Public Affairs, University of Colorado Denver, 5/1/12, “Oil and the House of Saud: Analysis of Saudi Arabian Oil Policy” Digest of Middle East Studies Volume 21, Issue 1, pages 89–107 Wiley)

A single producer or cartel of producers does not set the price of oil, but rather the price is set by market expectations. “Supply and demand does not respond significantly to high or low prices. What they do respond to is price expectations” (Stevens, 1997b, p. 20). The price is determined by the beliefs of various market players as they interact in an essentially competitive market influenced by shifts in residual supply and demand. The Saudis do not want “low” or “high” oil prices for prolonged periods. The Saudis fear that low oil prices over time will affect their own economic growth, spending on social services, and investment in oil as well as other industries. On the other hand, they fear that high prices over time will affect the economies of oil-importing countries by retarding growth, leading to an adverse effect on oil demand and the growth of the oil industry within Saudi Arabia. This has led the Saudis to seek stability in the price of oil and act as a moderator in the oil market.

### Impact Module – Saudi Arabia

#### A drop in oil prices threatens internal stability

Gause 11

(F. Gregory Gause, PROFESSOR OF POLITICAL SCIENCE UNIVERSITY OF VERMONT, December 2011, “Saudi Arabia in the New Middle East” Council on Foreign Relations Special Report No. 63)

FiScaL Squeeze The second potentially regime-threatening issue for the Saudis would be a severe drop in oil prices. They have lived through the ups and downs of the oil market since 1973, but a deep decline in oil prices in the medium to long term would present a serious challenge to the patronage basis of the system. The Saudis are squeezed between two troubling trends. The first is the substantial new fiscal obligations taken on by the government this year. Although some of these are one- time expenses (the largest of which is the commitment to increase the housing stock), others (such as more government jobs, higher salaries, and a new unemployment benefit) are recurring. Saudi demographic trends mean that there will be more and more citizens who will need education, jobs, and subsidies over time. If the past is any indication, it is unlikely that Saudi defense spending will decrease while domestic spending demands grow. Fiscal pressures will thus increase over time. The second trend affects the revenue side of the Saudi government budget. Oil accounts for the overwhelming majority of Saudi revenues. But Saudi Arabia is consuming domestically larger and larger amounts of the oil it produces, reducing the quantity of oil available for export. Domestic oil consumption is heavily subsidized, encouraging a grow- ing population to use more and more of it. A thorough—and thoroughly troubling for Saudi decision-makers— examination of this squeeze was published by Jadwa Investment, a Saudi private investment firm, in July 2011.26 They estimate that the government will have to run budget deficits from 2014, even if oil prices stay around their current level, with those deficits becoming substantial in the 2020s. By 2030, the break-even price of oil for the Saudis to meet their obligations will be over $300 per barrel.

#### Saudi internal stability is key to their influence which maintains stability in the middle east

Katulis 11

(Brian Katulis, senior fellow at the Center for American Progress, 7/19/11, “Strategic Posture Review: Saudi Arabia” http://www.worldpoliticsreview.com/articles/9516/strategic-posture-review-saudi-arabia?page=3)

As the Middle East uprisings continue to unfold, Saudi Arabia will adapt. At a time of uncertainty across the region, it is difficult to predict what may happen in the long term. Nevertheless, Saudi Arabia will continue to work to influence the outcomes in the popular uprisings throughout parts of the Middle East, modulating its response on a case-by-case basis according to its bilateral relations, its interests and the degree of leverage it believes it has in each particular country. The region is now more than six months into a period of transformation that may take years to completely unfold, and Saudi Arabia will continue to seek to use its considerable resources and quiet diplomacy to influence the shape and pace of that transformation. Saudi Arabia, despite its oil wealth, economic power and unique position in the Muslim world as the country where the faith of Islam was revealed faces some of the same challenges and dilemmas that other countries like the United States and Europe are facing in trying to develop responses to the popular uprisings in the Middle East -- deciding where, when and how to try to influence change in individual countries and assessing how much real leverage it has inside the complicated political dynamics of each affected country. This has resulted in a reactive, ad hoc and largely tactical approach to the changes in the region. Challenges from Within and the Coming Succession Although Saudi Arabia has thus far been largely immune to the waves of protest and calls for political change sweeping across the region, the oil-rich country is facing internal pressures for change of its own, although not as organized and vocal as in other countries. It also faces an inevitable change in leadership with an aging king and successor who have both had recent health problems. Tensions between generations in Saudi Arabia may surface when the current king's rule comes to an end. In 2006, King Abdullah created a new family council called the Allegiance Commission, a 35-man body charged with selecting the next crown prince after the current one, Prince Sultan. However, the process by which this commission will select future Saudi leaders is opaque. The leadership in Saudi Arabia has recognized the threats it could face from within if pressing economic, social and demographic problems are not addressed. Earlier this year, after returning to Saudi Arabia following several months of medical treatment and recovery out of the country, King Abdullah announced a series of domestic spending measures dedicated to addressing problems like unemployment and insufficient housing. The total stimulus package on the Saudi home front this year amounts to about $130 billion, a sizable amount in a country with a population of less than 30 million. As a result, Saudi Arabia has thus far been able to maintain internal stability, and some observers predict that the Saudi regime will remain in a strong position to weather the regional changes and political transformations in neighboring countries. But this depends in large part on how well the Saudi government responds to the concerns of its own people at a time when a leadership change is on the horizon.

#### Middle East instability goes nuclear

Kam 7

Ephraim, A Nuclear Iran, Deputy Head @ Jaffee Center for Strategic Studies, http://www.tau.ac.il/jcss/memoranda/memo88.pdf

The statements by Iranian president Mahmoud Ahmadinejad about wiping Israel off the map are not qualitatively new and resemble those by other Iranian leaders. Their reiteration at a time when Iran is under pressure on the nuclear issue, however, suggests increasing extremism on the part of the Iranian leadership towards Israel, as well as diminished sensitivity towards international public opinion. Even if it is unlikely, the possibility that a fanatical group, whether within the regime or a faction emerging from a split in the leadership, will gain control of nuclear weapons and decide to use them against Israel cannot be categorically ruled out. Moreover, the Middle East is a volatile region that has witnessed much violence and military force. Ballistic missiles and chemical weapons have already been used on a large scale, including in wars between Muslim countries. The risk that nuclear weapons will be used in the Middle East is greater than in other regions and is greater than the risk between the superpowers during the Cold War. Rules of behavior and channels for dialogue capable of reducing the risk do not yet exist.

### Impact – Russia Economy

#### Russian economic decline causes nuclear war

Filger 9

Sheldon Filger, founder of Global Economic Crisis, The Huffington Post. “Russian Economy Faces Disastrous Free Fall Contraction”. 5/10/9. http://www.huffingtonpost.com/sheldon-filger/russian-economy-faces-dis\_b\_201147.html

In Russia historically, economic health and political stability are intertwined to a degree that is rarely encountered in other major industrialized economies. It was the economic stagnation of the former Soviet Union that led to its political downfall. Similarly, Medvedev and Putin, both intimately acquainted with their nation’s history, are unquestionably alarmed at the prospect that Russia’s economic crisis will endanger the nation’s political stability, achieved at great cost after years of chaos following the demise of the Soviet Union. Already, strikes and protests are occurring among rank and file workers facing unemployment or non-payment of their salaries. Recent polling demonstrates that the once supreme popularity ratings of Putin and Medvedev are eroding rapidly. Beyond the political elites are the financial oligarchs, who have been forced to deleverage, even unloading their yachts and executive jets in a desperate attempt to raise cash. Should the Russian economy deteriorate to the point where economic collapse is not out of the question, the impact will go far beyond the obvious accelerant such an outcome would be for the Global Economic Crisis. There is a geopolitical dimension that is even more relevant then the economic context. Despite its economic vulnerabilities and perceived decline from superpower status, Russia remains one of only two nations on earth with a nuclear arsenal of sufficient scope and capability to destroy the world as we know it. For that reason, it is not only President Medvedev and Prime Minister Putin who will be lying awake at nights over the prospect that a national economic crisis can transform itself into a virulent and destabilizing social and political upheaval. It just may be possible that U.S. President Barack Obama’s national security team has already briefed him about the consequences of a major economic meltdown in Russia for the peace of the world. After all, the most recent national intelligence estimates put out by the U.S. intelligence community have already concluded that the Global Economic Crisis represents the greatest national security threat to the United States, due to its facilitating political instability in the world. During the years Boris Yeltsin ruled Russia, security forces responsible for guarding the nation’s nuclear arsenal went without pay for months at a time, leading to fears that desperate personnel would illicitly sell nuclear weapons to terrorist organizations. If the current economic crisis in Russia were to deteriorate much further, how secure would the Russian nuclear arsenal remain? It may be that the financial impact of the Global Economic Crisis is its least dangerous consequence.

### Impact – Russia/China Alliance

#### Low oil price drives Russia to China

Blackwill and O’Sullivan 14 \*Robert, Senior Fellow at the Council of Foreign Relations \*\*Meghan, Jeane Kirkpatrick Professor of the Practice of International Affairs and Director of the Geopolitics of Energy Project at Harvard

(March/April 2014, “America's Energy Edge: The Geopolitical Consequences of the Shale Revolution” Foreign Affairs, <http://www.foreignaffairs.com/articles/140750/robert-d-blackwill-and-meghan-l-osullivan/americas-energy-edge>)

China also stands to benefit in another way: its relations with Russia could improve markedly. For decades, history and ideology have kept these two countries from finding common cause, despite the obvious benefits that would accrue from a closer partnership between the world’s largest energy producer and its largest consumer, which happen to share a 2,600-mile border. But as more and more North American energy comes on line, energy demand in the developed world remains flat, and demand continues to increase in the developing economies of Asia, Russia will increasingly see k to secure markets in the East. Moscow and Beijing could well move closer together on long-stalled energy deals and pipelines and collaborate more on energy issues in Central Asia. Once clinched, such arrangements could form the basis for a more extensive geopolitical relationship -- one in which China would have the upper hand. As for India and other Asian economies, the benefits will also go beyond the purely economic. A surge in the quantity of gas and oil transported through the South China Sea will provide common cause to all countries seeking to combat piracy and other risks to the free flow of energy shipments, giving China greater incentives to cooperate on security matters. At the same time, U.S. allies in East Asia, such as Japan, the Philippines, and South Korea, will have the opportunity to increase their energy imports directly from the United States and Canada. Their ability to rely on North American partners, shipping oil and LNG via shorter, more direct sea routes, should also give these countries greater peace of mind.

### Impact – Russian Instability

#### Low oil prices causes Russian instability – forces military response

Blackwill and O’Sullivan 14 \*Robert, Senior Fellow at the Council of Foreign Relations \*\*Meghan, Jeane Kirkpatrick Professor of the Practice of International Affairs and Director of the Geopolitics of Energy Project at Harvard

(March/April 2014, “America's Energy Edge: The Geopolitical Consequences of the Shale Revolution” Foreign Affairs, <http://www.foreignaffairs.com/articles/140750/robert-d-blackwill-and-meghan-l-osullivan/americas-energy-edge>)

A sustained drop in the price of oil, meanwhile, could destabilize Russia’s political system. Even with the current price near $100 per barrel, the Kremlin has scaled back its official expectations of annual economic growth over the coming decade to around 1.8 percent and begun to make budget cuts. If prices fall further, Russia could exhaust its stabilization fund, which would force it to make draconian budget reductions. Russian President Vladimir Putin’s influence could diminish, creating new openings for his political opponent s at home and making Moscow look weak abroad. Although the West might welcome the thought of Russia under such strain, a weaker Russia will not necessarily mean a less challenging Russia. Moscow is already trying to compensate for losses in Europe by making stronger inroads into Asia and the global LNG market, and it will have every reason to actively counter Europe’s efforts to develop its own resources. Indeed, Russia’s state-run media, the state-owned gas company Gazprom, and even Putin himself have warned of the environmental dangers of fracking in Europe - - which is, as The Guardian has put it, “an odd phenomenon i n a country that usually keeps ecological concerns at the bottom of its agenda.” To discourage European investment in the infrastructure needed to import LNG, Russia may also preemptively offer its European customers more favorable gas deals, as it did for Ukraine at the end of 2013. More dramatically, should low energy prices undermine Putin and empower more nationalist forces in the country, Russia could seek to secure its regional influence in more direct ways -- even through the projection of military power.

### Impact – Russia Nationalism

#### Economic depression cause Russian ultra-nationalism

Somin 8

(Ila, Russia After Putin, March 25 2008, <http://www.volokh.com/posts/1206472900.shtml>)

Obviously, the big difference between Russia and the many other similar societies is that Russia just happens to have huge quantities of oil and nuclear weapons. The big question for the future is whether or not continued economic growth will lead to pressure for liberalization, or whether the Russian political elite will succeed in maintaining a semi-authoritarian system in the long run. Another key question is what will happen when oil prices fall and Russia's economy suffers a downturn. It's possible that the resulting anger at the government will redound to the benefit of supporters of liberal democracy. But I fear that it will instead lead to increased support for the Communists or for ultra-nationalists and anti-Semites, such as Vladimir Zhirinovsky. In Russia, as elsewhere, most of the public is rationally ignorant about politics, and has little incentive to evaluate what they do know in a logical way. As a result, Russia's next economic crisis could result in a much worse government taking power, not a better one.As Young points out, Russian extremists of both the right and the left can tap into a long tradition of nationalism and belief in the notion that all problems can be solved by a leader with a "strong hand." On the other hand, Russia also has a long counter-tradition of pro-Western liberalization. Former world chess champion and political opposition leader [Gary Kasparov](http://volokh.com/posts/1176577283.shtml) represents that tendency today. When the current government eventually runs into trouble, much will depend on whether the ultra-nationalists or the liberal democrats are better positioned to take advantage of the situation. Unfortunately, Putin and Medvedev have targeted democrats for repression far more than the communists and nationalists. However, that very fact might give them greater credibility with the public when and if the current regime becomes unpopular.

#### Russian hardliners lead to extinction

Nyquist ‘1

(J.R., November 12, pg. http://www.financialsense.com/stormwatch/geo/pastanalysis/2001/111201.htm)

Unfortunately, the main threat to America's future is not from rogue states or terrorists. The main threat is from Russia, the principle supplier and trainer of global terrorists since World War II. Americans should be reminded that Russia's war machine was built on the idea of fighting and winning a future nuclear war against America. According to a leading Russian defector and two leading U.S. intelligence analysts, the fall of the Soviet Union did not change this logic. As crazy as that sounds, experts like Dr. Peter Vincent Pry and William Lee warn that Russia's nuclear war-fighting strategy has been improved since the collapse of the Soviet Union and the threat of nuclear aggression from Russia is growing instead of shrinking.

### AT: Peak Oil

#### **Peak oil highly unlikely**

RBSC, 13

Roland Berger Strategy Consultants, “Oil supply will not run out in the long run, but low prices are a thing of the past,” Retrieved, 7/11/14, JK. http://www.rolandberger.com/press\_releases/513-press\_archive2013\_sc\_content/Erdoel\_wird\_so\_schnell\_nicht\_knapp.html

One of the most hotly debated questions in the energy sector is whether the world will run short of oil. This issue, often referred to in connection with "peak oil", drives key decisions made not only in the oil industry, but throughout the energy sector and the economy in general. "Given our research, this is highly unlikely to occur in the medium term, and improbable in the long term," said Jaap Kalkman, Senior Partner at Roland Berger Strategy Consultants in the Middle East. "Total accessible reserves are growing every year, thanks to increased exploration for both conventional and unconventional oil and improved technology such as horizontal wells. Political instability, while still a factor, is not expected to have a huge impact on the future oil supply. Furthermore, rising oil prices are making production from unconventional sources viable, leading to an even more diversified source of supply. Non-OPEC countries and unconventional sources of oil are expected to continue driving growth of the overall oil supply in the future," he added.

### AT: Demand Decreasing

#### Any decrease in demand will be overwhelmed by developing countries

Kalkman, Pfeiffer, and Pereira 13

Jaap Kalkman, Walter Pfeiffer, Sergio Pereira, Roland Berger Turkey, Middle East & Africa, “Are we running out of oil?,” retrieved 7/11/14, JK. <http://www.rolandberger.com/media/pdf/Roland_Berger_Are_we_running_out_of_oil_20131111.pdf>

While there have been an increasing number of regulations attempting to inhibit the consumption of oil, these are largely restricted to developed economies. This has been achieved either through the legislation of biofuel blending mandates or the promotion of more environ - mentally friendly transportation methods and "greener" energies. In addition, in certain devel oping regions, the reduction of fuel subsidies could be a game changing regulation, reducing oil demand substantially in the long run. yet any fall in demand due to the price increase is expected to be compensated by the rapid economic development these emerging countries are currently witnessing.

### Aff Answers – High Prices Bad

#### High oil prices increase oil extraction and production

Alquist and Guénette, 13

Ron Alquist and Justin- Damien Guénette, International Economic Analysis Department, Bank of Canada, “A Blessing in Disguise: The Implications of High Global Oil Prices for the North American Market,” Retrieved, 7/11/14, JK. <http://www.bankofcanada.ca/wp-content/uploads/2013/07/wp2013-23.pdf>

At the same time, however, the se persistently high prices have stimulated investment in the production of unconventional oil, in particular “tight” oil from oil - bearing shale formations. Tight oil wells require different extraction technology from conventional well s and are drilled horizontally rather than vertically. High prices and the development of alternative oil - recovery technologies have made the extraction of some types of unconventional oil commercially viable. The presence of these unconventional source s of oil throughout the world and the ability to recover them makes a large expansion in the physical production of oil a possibility. Recent estimates suggest that about 3.2 trillion barrels of unconventional crude oil , including up to 240 billion barrels of tight oil, are available worldwide ( IEA 2012 a ). By 2035, about 14 per cent of oil production will consist of unconventional oil, an increase of 9 percentage points. The 2 potential for unconventional oil extraction around the world has led some oil industry analysts to describe scenarios in which the world experiences an oil glut and a decline in oil prices over the medium term (Maugeri 2012). Nowhere are the repercussions of these changes more evident than in the United States, where the unanticipated and rapid increase in oil production has had dramatic consequences for domestic supply conditions. U.S. domestic liquids production has expanded by nearly 30 per cent since 2005 and is expected to continue to increase (I EA 2013) . The International Energy Agency (IEA 2012b ) projects that the U.S. total petroleum supply will increase from 9.7 million barrels per day in 201 2 to a peak level of 11.1 million barrels per day in 2020.

### Aff Answers – Low Prices Good

#### Oil bubble is coming now that will crash the global economy, only a decrease in oil prices now prevents a crash in the future

Bayer, 13

Alexi, contributor to the Moscow Times, “Why Higher Oil Prices Should Worry Russia,” accessed 7/12/14, JK. http://www.themoscowtimes.com/opinion/article/why-higher-oil-prices-should-worry-russia/485316.html

The Economic Development Ministry lowered its projections for Russia's economy, downgrading growth to only 1.8 percent for 2013. But the Urals crude has traded above its forecasts this year, and higher oil prices could provide an economic boost since oil and gas account for roughly 75 percent of Russia's exports and almost half of its budget revenue. The worrisome question is what happens beyond this year. The latest oil price increase was triggered by fears of a U.S. missile strike on Syria, but even if it doesn't occur, the region will remain turbulent and the risk premium, which has pushed oil prices to a five-year high, will endure. Potential supply disruptions are attracting speculators, who are flush with liquidity provided by major central banks, especially the U.S. Federal Reserve. This liquidity has already created a bubble in U.S. stocks and could infect the oil market. With or without an attack on Syria, oil prices could rise to about $145 per barrel during the rest of 2013. Over the past three decades, the world has developed a bubble economy, characterized by runaway booms and increasingly severe busts. Oil prices went through a boom-bust cycle in 2008-09, plunging by 60 percent in a few months. The subsequent recovery in oil prices occurred because of strong growth in emerging markets as China continued to industrialize, while agriculture and mining in Latin America, Australia and Africa stoked the Chinese economy. In China alone, 50 million additional private cars hit the road over the past five years, putting upward pressure on oil prices. This extra oil demand was in part a by-product of U.S. financial bubbles. China grew as fast as it did because Washington ran fiscal deficits and subsidized purchases of Chinese goods by U.S. consumers. By constantly printing money, the Federal Reserve kept both interest rates and the dollar artificially low. Since oil is priced in dollars, when a country's currency goes up against the greenback, oil becomes cheaper for domestic consumers. Meanwhile, oil demand in rich industrial nations has been stagnant. While Europe remains stuck in a recession, an economic recovery in the U.S. has been accompanied by increased domestic oil output and falling oil imports. Even a recent jump in auto sales has not spurred oil consumption, since Americans are merely replacing their older, largest cars with energy-efficient new ones. The U.S. economic recovery has triggered expectations that the central bank would stop printing dollars and push interest rates higher once more. Currencies such as the Brazilian real and the Indian rupee have weakened as oil prices spiked. Even economic growth in China has been slowing. The International Energy Agency has warned that oil supply is now growing faster than demand, which will increase by just 1.2 percent next year. For now, oil has become a financial instrument. Oil futures reflect risk perceptions in the Middle East and excess liquidity on Wall Street. Just like the prices of some high-tech stocks on NASDAQ, oil prices may no longer reflect the underlying supply-demand relationship, at least in the near term. Oil prices are notoriously difficult to forecast, but my scenario calls for a sharp increase into early next year, which will inevitably deal a large blow to an already slowing world economy. Boring fundamentals such as supply and demand sooner or later catch up with financial instruments. The bigger the bubble becomes, the louder will be its pop once it eventually bursts.

### Aff Answers – Oil Prices Decreasing

#### Non-Unique - Oil prices will inevitably decline

Epstein, 14

Gene, Contributor to Barron’s, “Here Comes $75 Oil,” Barrons, retrieved 7/12/14, JK. http://online.barrons.com/news/articles/SB50001424053111903536004579459323209921860

AMY JAFFE, EXECUTIVE DIRECTOR for energy and sustainability at the University of California, Davis, co-authored a recent study with Rice University economics professor Mahmoud El-Gamal predicting that barring a "war that destroys physical installations for the production and/or transport of oil," the oil price will "fall precipitously over the medium term of three to five years." Jaffe believes the average price could fall below $75, based in part on her view that oil-production costs are not fixed. "Research shows that costs track oil prices and not the other way around," she observes. As oil prices move lower, demand for drilling rigs and related equipment falls, lowering the cost of drilling. And that's bad news for Putin. "The Russian government's budget is expected to need an oil price of over $100 to stay balanced between now and 2020," Jaffe says. "A $75 average could make the ruble's recent tailspin look trivial by comparison." Steve Briese, publisher and writer of the Bullish Review of Commodity Insiders newsletter, is currently projecting an imminent plunge in the oil price to the $70 region. His bearish outlook is based on the recent peak in the net short position of businesses involved with oil. These businesses, also called "commercials," use futures and options on West Texas Intermediate crude traded on the New York Mercantile Exchange as part of their business strategy.

### Aff Answers – AT: Oil k2 Russia Economy

#### High or low, oil prices have little to no impact on the Russian economy

Khvostunova, 13

Olga, Fulbright Scholar, Institute of Modern Russia Policy Advisor and Research Fellow, Acting Editor-in-Chief of imrussia.org, “Why Russia Doesn’t Need High Oil Prices,” retrieved 7/14/14, JK, http://imrussia.org/en/economy/574-why-russia-doesnt-need-high-oil-prices

Even in a theoretical scenario in which oil prices jumped and remained at a high level, this would not be beneficial for Russia. Moreover, destabilization in the Middle East would cause trouble for Russia that would outweigh immediate gains from the oil price hike. First, Russia’s military exports to the region would drop. Second, today Russian oil companies enjoy tax benefits that are linked to lower oil prices, benefits that allow them to finance their investment projects. It took much effort to obtain these benefits, and an increase in oil prices would cancel out their gains. Third, as Finance Minister Anton Siluanov recently observed, any hike in oil prices only means that additional revenues of the oil and gas industry will be allocated to the Reserve Fund, and the regime of budgetary cost-cutting will not be cancelled. And lastly, if the current balance of power in the Middle East changes, a situation might develop in which Qatar could start to squeeze Gazprom out of the European market. In other words, Syrian conflict will not bring any benefits to Moscow. For now, Geneva agreements between Russian Foreign Minister Sergei Lavrov and U.S. Secretary of State John Kerry have allowed us to avoid military strikes against Syria. And as soon as news broke that Russia and the U.S., alongside U.N. inspectors, would develop a plan to destroy Syria’s chemical weapons, oil prices went down again. In September, Brent oil lost 5 percent of its value. To be fair, in this case, another factor should also be taken into account: investors’ expectations of the U.S. government shutdown. Overall, Russia’s dependence on oil prices became a moot point a long time ago. The country’s recent political history vividly demonstrates that despite a favorable economic environment, high oil prices, and a high rate of GDP growth (7-8 percent in the mid-2000s), the Russian government is incapable of implementing much-needed modernizations. Many reasons can be named, from a system of production that was developed during Soviet times to a lack of political will. The key reason is that all of the country’s strategic assets are controlled by a small group of political elites who gain colossal profits through various corruption schemes, have no incentive to change the established order, and will never let go of their power voluntarily. But global shifts in the energy market, the slowdown of the country’s GDP growth, and increasing social discontent inside the country leave this group little space in which to maneuver in the event of imminent crisis—which increases the political risks for Russia’s ruling elite.

### Aff Answers – US not k2 Oil Prices

#### Five things keep prices high despite low US demand

---hard to access, geopolitical risk, low spare capacity, global demand up, refinery capacity down

Koch ‘12

Wendy 4/19/12, USA Today, “U.S. oil production is up, so why are gas prices so high?” http://www.usatoday.com/money/industries/energy/story/2012-04-21/global-factors-gasoline-prices/54421804/1

Global crude oil price increases. Crude oil accounted for nearly three-quarters, or 72%, of the retail cost of a gallon of gasoline in February, according to the most recent data from the U.S. Energy Information Administration, the analytical arm of the Department of Energy. Refining costs/profits accounted for 12%, federal/state taxes for 11% and distribution/marketing for 5%. Crude oil prices reflect the cost of production, which has become more challenging as easy-to-access reserves dwindle. "Oil companies are turning to increasingly costly-to-produce oil," says Michael T. Klare, author of The Race For What's Left: The Global Scramble for the World's Last Resources. He points to tar sands in Canada, deepwater reserves off Brazil or so-called tight oil that's extracted from shale formations by hydraulic fracturing in the U.S. Klare says oil prices also reflect both the world's current supply and demand as well as expectations about the future. "People are bidding against each other and driving up the price," he says, noting buyers pay now for delivery later, so they often hedge their bets to account for a potential loss in supply. 2. Iran and other geopolitical uncertainties. What's causing the most heartburn now is Iran, one of the world's top five oil producers (along with Saudi Arabia, Russia, the U.S. and China). "This year, the dominant factor in pushing up world oil prices — and thus gasoline prices in the United States — is geopolitics — specifically, rising tension over Iran," Daniel Yergin, chairman of the IHS CERA division, formerly known as Cambridge Energy Research Associates, recently told a Senate panel. Because of concern that Iran is developing nuclear weapons that could strike Israel, the U.S. and the European Union have imposed economic sanctions against it and are considering tougher measures. Iran has threatened to "close" the 6-mile-wide Strait of Hormuz, a major oil thoroughfare, but has also agreed to talks with six major world powers, including the U.S. Other uncertainties focus on civil unrest in Yemen and Syria and discord between Sudan and South Sudan. 3. Limited spare capacity. These countries worry the oil industry, even though they're not major oil producers, because there's limited global cushion to cover a loss in production should their conflicts spread or deepen. Right now, Saudi Arabia holds almost all the world's spare capacity in crude oil production — estimated at about 2 million barrels a day, which is low historically and less than Iran's daily exports. "We're on a cusp, a balancing point," says Martin Tallett of EnSys Energy, an industry consulting firm. He says less than 4 million barrels-per-day of spare capacity is problematic, because even small changes in supply or demand can swing prices. "We're in a period of quite high uncertainty." The U.S. also has 696 million barrels in its Strategic Petroleum Reserve, designed as an emergency stockpile, but its prior releases lowered gas prices only temporarily. The reserve can satisfy a tiny fraction of the world's oil demand, estimated at 89 million barrels-per-day this year. 4. Rising worldwide demand. Oil consumption in the U.S. has fallen 10% since 2005, back to 1998 levels, as Americans drive less and use more fuel-efficient cars and equipment. That's not the case worldwide. From 2008 to 2011, oil demand grew by 3.2 million barrels per day from just four countries — Brazil, India, China and Saudi Arabia — and isn't expected to slow much this year, according to U.S. Senate testimony by Paul Horsnell, head of commodities research for Barclays. Japan's demand for oil has also increased since a massive earthquake and tsunami in March 2011 caused partial meltdowns at its Fukushima Dai-ichi nuclear power plant. Of its 54 nuclear reactors, only one is now operational. "Demand is rising worldwide, even if it's not in the United States, and supply is not keeping pace," Klare says. 5. Refinery closures/production costs. Higher demand could trigger particularly higher gas prices along the East Coast where several oil refineries have closed in recent years, making the region dependent on gasoline imports. Refinery outages on the West Coast have recently pushed up prices there. Unlike refineries on the Gulf Coast, which are sophisticated and have great export opportunities, those on the East Coast tend to be less flexible in the crudes they can refine and face more global competition. Sunoco closed its Marcus Hook, Pa., refinery in December and may close (or sell) its Philadelphia one this year, while ConocoPhillips shuttered its Trainer, Pa., refinery last September. These three facilities account for half of the Northeast's refining capacity. Another issue is pipeline capacity, which also varies nationwide and contributes to the regional differences in gas prices. Verrastro, an energy analyst, says expanding capacity with the Oklahoma-to-Texas half of the proposed Keystone pipeline could temporarily hike gas prices in the Rocky Mountain area by relieving the current glut of oil that has depressed gas prices there. Where are gas prices headed? Some industry analysts say prices have already peaked this year. Gruenspecht's EIA predicted April 10 that regular-grade gas prices will average $3.95 a gallon through September and could peak at $4.01 in May. It forecasts slightly lower gas prices next year of $3.73 a gallon. "Our outlook is for prices staying fairly high," Gruenspecht says, adding: "but there's a fair range of uncertainty around that."

#### US decline in demand won’t impact global prices – empirics

---supply disruption, demand down and prices up, India China and emerging markets

Ydstie ‘12

John, 3/23/12, NPR, “Why Gas Prices Are Rising Even As Demand Is Down” http://www.npr.org/blogs/thetwo-way/2012/03/23/149220383/why-gas-prices-are-rising-even-as-demand-is-down .

On Morning Edition this week we looked at "What's Making Americans Less Thirsty for Gasoline?" Now let's examine another important question: "If our demand for gasoline is falling, why are prices in the U.S. rising?" Well, there are lots of reasons why the price you pay at the pump might rise; from additional taxes levied by the government to threats of supply disruption in the Middle East. The latter, of course, is a big reason gasoline prices are higher now even though demand throughout the world is quite soft and falling in the U.S. Fadel Gheit, managing director of Oil and Gas Research at Oppenheimer and Company, says the price of oil depends on several factors — "number one: crude oil prices." Of course, crude oil prices are set in a global market. That means even if U.S. demand for oil is forecast to fall significantly over the next 25 years, Americans will pay more for each galloon of gasoline if the global price of oil rises, which is quite likely. While Americans are using fewer gallons of oil per person, consumers in India, China and other emerging markets are using more. In 2010, China added 10 million more cars. With a population of more than 1 billion people, that nation is going to use more oil in the future and that demand will likely drive prices up. Gheit says the other thing that affects gasoline prices is "the supply and demand for gasoline itself." Of course, while U.S. demand for gasoline is on a long downward trend, there are also seasonal driving habits that cause demand and prices at the pump to rise and fall throughout the year. For instance, gasoline demand rose last week in the U.S. according to Mastercard, because families took advantage of the warmer weather and school breaks to get on the road. And traditionally, gasoline demand and prices tend to move up in the summer during the peak driving season. Also, a shutdown of oil refineries in the eastern U.S. and Carribean has cut U.S. gasoline production by about 600,000 barrels a day. That reduction in supply has been accompanied by a new price dynamic, says Gheit; the U.S. has become "a net exporter of gasoline." It's been more than half a century since that's happened. Ironically, foreign buyers are attracted to the U.S. gasoline market because U.S. refiners can produce gasoline more cheaply than refiners in Europe or Latin America, for a number of reasons. That means Americans are competing directly with foreigners for U.S. gasoline, says Gheit. That's another a new force putting an upward pressure on U.S. gasoline prices.

### Aff Answers – Russia Econ Down

#### Iraq won’t help Russia at all- their evidence is wrong

Scwab 6/16

Charles Scwab, Emerging Money Blog, Russia Oil Stocks As Oil Goes higher – Not How You Play It, June 16, 2014, http://www.nasdaq.com/article/russia-oil-stocks-as-oil-goes-higher-not-how-you-play-it-cm362203

The Russian economy still relies on oil and gas for more than 40% of its GDP, but trading oil price sensitivity with Russia is not that easy. Russian taxation on the oil sector is very progressive and closely linked to underlying prices (with a 9m lag). Thus, while it's intuitive for investors to assume that Russian oil and gas stocks should benefit from global turmoil which escalates [oil prices](http://www.nasdaq.com/markets/crude-oil.aspx) , the actual benefit is meager. For every Dollar higher in Brent above $100, Russia oil companies effectively get only 10% of the additional revenue flowing back to them. The pure upstream plays in Russian oil are largely gone but the largest integrated players in Russia still are more focused on upstream than downstream. Thus, Rosneft ( [RNFTF](http://emergingmoney.com/tag/RNFTF) ,quote ), Lukoil ( [LUKOY](http://emergingmoney.com/tag/LUKOY) , quote ) and Surgut ( SGTZY , quote ) are really quite removed from windfall gains from higher oil taxes.

### Aff Answers – Russia Oil Exports Down

#### Russian oil exports down now- takes out the advantage

Raval 6/2

Anjli Raval, Oil and Gas Correspondent, Financial Times, Russia oil exports to Europe slow as prices weaken, June 2, 2014, http://www.ft.com/cms/s/0/c7be9444-ea71-11e3-80fb-00144feabdc0.html#axzz35QCEEnO1

Exports of [Russian crude](http://www.ft.com/intl/companies/oil-gas) to Europe have slowed as refineries on the continent cut back on production because of high costs and increased competition Shipments of Urals crude grade to northwest Europe from the Baltic sea for June fell 18.2 per cent compared to the average for all of 2013, according to shipping data tracked by Barclays, while Black Sea exports to the Mediterranean declined 10.7 per cent. Analysts said the decline in shipments, to well below 2013 levels, reflected weak demand from refineries in Europe, which are grappling with high costs and weak prices for diesel and fuel oil. The discount of Russian Urals for delivery to northwest Europe with Dated Brent also continued to widen last week amid slack demand for [European refineries](http://www.ft.com/reports/european-energy), touching $2.59 a barrel. “It was the combination of the return of Russian refineries from maintenance, that led to a flooding of diesel and fuel oil depressing product values, and high crude prices that seems to have been the trigger [for lower refinery runs],” according to a report from Energy Aspects.

### Aff Answers – Russia Has No Infrastructure

#### Russia’s infrastructure is crumbling—can’t attract investors

Fin 12

Al “Russia's Dysfunctional Economy Fails to Attract Investment Vital for Energy” [http://oilprice.com/Energy/Energy-General/Russias-Dysfunctional-Economy-Fails-to-Attract-Investment-Vital-for-Energy.html] May 30

Russia is a difficult country to analyse. It is the largest nation on Earth, rich in natural resources and human resources. And yet it is burdened with dysfunctional government, a dysfunctional economic and legal system, and an atmosphere of vague despair that lingers despite multiple changes in leadership over the decades. The Russian market this spring fell faster than other so-called BRIC countries of Brazil, Russia, India and China and since mid-March is down 18.8 percent. Global oil prices have slumped, reducing expected earnings. But even taking earnings into account, investors take a dim view of Russian equities. The Russian stock exchange now trades at an average price to estimated earnings ratio of 4.28, compared with the MSCI Emerging-Markets Index average. It is a glum statistic for Russia, particularly as President Vladimir V. Putin is planning a wide-ranging sale of state assets to raise money for increased military and social spending promised during his campaign. The price-to-earnings ratio comparison means that, statistically, a company that mines gold or pumps oil in Russia is worth less than half as much as a company that extracts the same amount of gold or oil just as efficiently in Brazil or Indonesia. For all the value in the Russian economy, this wealthy industrial superpower cannot convince investors that it is safe place to put money — even an oil company is a hard sell. \_NYT No wonder. When wealthy Russia cannot convince insurance companies to insure joint projects inside Russia, of course it will not be able to convince most investors to take the huge risks of exposing valuable assets to the kleptocratic Russian bear. The Russian government treats all assets -- public or private -- as its own little treasure chest of goodies. Sergei Aleksashenko, a former deputy finance minister, said in an interview that Russian energy companies are routinely subjected to this “system of unofficial requests,” from the Kremlin — for financing everything from presidential palaces to ski resorts to military installations. “It doesn’t really matter what it is for,” Mr. Aleksashenko said. “You receive a request and you cannot refuse.” \_NYT Mr. Putin and his friends have their fingers in all the concentrations of wealth and power inside the country. The corruption takes place overtly and covertly, legally and quasi-illegally. It is organised crime on a massive scale, and shows no sign of being curtailed -- particularly as long as weak and inept clowns such as US President Obama are in charge of the western bloc. Based in the Siberian city of the same name, Surgut is a private company but managed by a Soviet-era director who is close to Mr. Putin. It sells much of its oil, about $127 million a day based on average prices for Russia’s export blend oil, Ural Crude, last year, to a similarly opaque commodities firm called Gunvor based in the Netherlands and co-owned by Gennady Timchenko, another long-time acquaintance of Mr. Putin. The company has emphasized other measures of success than stock price, including high salaries for employees and a favoured statistic of Soviet oil ministers but not modern petroleum analysts: the number of meters of well bore drilled. Surgut has yet to publish its 2011 annual financial report on its Web site but, in a press statement, made public that it had drilled 4.75 million meters last year. The owners of 70 percent of the company remain a mystery. In conference calls with analysts, the company has said its own executives own a majority of the shares... \_NYT More at link above. Russia is undergoing a demographic collapse of its core population. The country is a public health disaster. Its military and military-industrial infrastructures are rusting and crumbling under the weight of corruption, neglect, and nepotistic incompetence. And Russia's energy infrastructure -- desperately in need of foreign capital and expertise -- is going the same way of slow motion collapse. Unless something of significance changes.

### Aff Answers – Russia Has no Oil

#### Russia’s oil supplies are decreasing—won’t commit to tax reform necessary to tap into reserve supplies

Gorst 11

Isabel, “Russia: world’s biggest oil producer, but for how much longer?” [http://blogs.ft.com/beyond-brics/2011/09/02/russia-worlds-biggest-oil-producer-but-for-how-much-longer/#axzz22aIcQXni] September 2

Soaring energy prices are driving Russia’s oil output to record highs. But how long can the world’s biggest oil producer keep it up? Not very long, according to industry analysts, unless the government reforms the tax system to encourage investment at oilfields. Russia produced 10.27m barrels a day of oil in August hitting a new post Soviet high. Output for the full year is now expected to edge close to 10.3m barrels a day – up from 10.1m b/d in 2010. Almost all Russia’s big oil companies showed small production gains in data published by the energy ministry on Friday. An exception was Lukoil which saw output continuing to fall as output dwindled at its mature west Siberian fields. Analysts have warned that unless Russia reforms taxation to encourage investment other producers will soon share Lukoil’s fate. Russia needs “to balance the need for higher tax revenues with the imperative to sustain investment in oil fields,” to avert an imminent decline in production, the International Energy Agency warned in its latest monthly oil report. Most of Russia’s oil production comes from so-called “brown fields” where output is scarcely growing and will soon sink into decline. If the industry is to succeed investors must push out into remote new “green fields” far from existing infrastructure where reserves, although attractive, are expensive to develop. Traditionally the government has offered tax privileges to favored companies to encourage investment in risky projects. However, the patronage system has begun to break down as the finance ministry grapples to reduce the budget deficit. Rosneft, which was earlier exempted from paying oil export duties at Vankor, the flagship oil project in east Siberia, was told this year it would have to pay the duty unless oil prices fell below $90 per barrel. So far Rosneft, Russia’s biggest producer 2.4m barrels a day of output, has not revised downwards its production plans. But it has enlisted the support of ExxonMobil, its new strategic partner, to lobby for tax reform. The two companies have submitted a list of tax proposals to the government that would help their Arctic exploration venture to fly. Rosneft says the government understands the need for tax reform but there are questions about how far officials will go to compromise with the industry.

### Aff Answers – High Oil Prices Bad for Russia

#### High oil prices slow Russian measures to stop corruption, diversify the economy, and limit government control of business – causes a collapse of investment in Russia.

VOA News ‘11

VOA News. March 18, 2011. “Russia Gets Giant Boost from Rising Oil Prices”. http://www.voanews.com/english/news/economy-and-business/Russia-Gets-Giant-Boost-from-Rising-Oil-Prices-118258659.html

The downside is that high prices ease pressures to cut corruption, to diversify the economy and to lighten the hand of government on business. Chris Weafer, chief strategist with Uralsib Capital, fears that the new flood of oil earnings is leading the Kremlin to slow its privatization program. “We have seen it in the Gulf Arab countries. and we saw it in Russia in the last 10 years that as the oil price is rising governments talk about the need for reform and using the money wisely, but as the price goes up too high, the whole process slows down, people become complacent, they become lazy, they live the good life as it were, until the collapse comes,” he said. “And then the whole process starts again.” In public opinion polls, corruption rivals food prices as the number one public complaint for Russians. According to Transparency International, Russia is the most corrupt of the Group of 20 major economies. Last week in a speech in Moscow, U.S. Vice President Joe Biden clearly warned Russia that corruption scares away investors. “No amount of government cheerleading or public relations or U.S. support or rebranding will bring wronged or nervous investors back to a market they perceive to have these shortcomings,” he said. “Only bold and genuine change.“ As Biden spoke, new economic data came in. Despite the oil price rises, despite the run up in the Russian stock markets, the country suffered a net loss in investment capital in February. “Despite the stock market and despite the oil prices, people are still very skeptical that there is going to be material change in Russia,” said strategist Chris Weafer. “Right now, they are voting with their wire transfers.”

#### New foreign direct investment is more important to future Russian economic growth than oil.

Weaver ‘11

Courtney Weaver. “Oil price: no panacea for Russia”. BeyondBrics blog @ The Financial Times. April 6, 2011. http://blogs.ft.com/beyond-brics/2011/04/06/oil-price-no-panacea-for-russian-growth/

For eight years, the oil price and Russia’s economic growth fit together like two peas in a pod. But no longer. While Russia’s economic development ministry has raised its 2011 forecast for the oil price by 30 per cent from $81 to $105 a barrel, it has kept its forecast for gross domestic product growth the same, at 4.2 per cent. What gives? According to economists and analysts, it comes down to pre-election social spending – and Russia’s oil and gas sector becoming a secondary driver of the economy. With the 2012 presidential election on the horizon, the government has been keen to make sure a big chunk of oil revenues go back to social programmes and the electorate. As Chris Weafer, chief strategist at Uralsib, says: Incremental oil revenues are not being used for productive purposes but are being used to fund social programme spending, pension increases, state employee and military salary increases, etc. Some economists such as Yulia Tsepliaeva, chief Russia economist at BNP Paribas, disagree with the economic development ministry’s forecast. As Tsepliaeva tells Russian daily Vedomosti, it would be “completely impossible” for GDP growth to be unaffected by such a substantial rise in the oil price. She predicts there will be an increase in GDP growth from 4.2 per cent to 5 per cent on the back of an oil price. On the other hand that’s still a far cry from 2000-2008 when the a 25-30 per cent annual rise in the oil price helped the Russian economy grow 7 per cent a year. To reach anywhere near that kind of growth, analysts say Russia needs to attract more foreign direct investment – a problem the Kremlin is trying to fix with state-asset sales and efforts to make Russia’s investment climate more appealing. Says Weafer: Russia is facing a declining rate of economic growth over the next decade unless there is a significant increase in investment spending. A lot of that will have to come from an increase in the currently very low rate of foreign direct investment and via public-private partnership schemes with foreign partners.

### Aff Answers – China fills in for Saudi Arabia

#### Saudi Arabia is shifting its oil market to China – they fill in the gap

Mouawad 10

(JAD MOUAWAD, airline correspondent for The New York Times, 3/19/10, “China’s Growth Shifts the Geopolitics of Oil” http://www.nytimes.com/2010/03/20/business/energy-environment/20saudi.html?pagewanted=all)

While exports to the United States might rebound this year, in the long run the decline in American demand and the growing importance of China represent a fundamental shift in the geopolitics of oil. “We believe this is a long-term transition,” Mr. Falih said in a recent interview. “Demographic and economic trends are making it clear — the writing is on the wall. China is the growth market for petroleum.” Saudi officials have said they favor prices of around $80 a barrel. Despite soft demand and high levels of inventories, oil futures in New York have averaged $75 a barrel over the last six months. On Friday, they closed at $80.68. In the United States, some experts believe that energy-efficiency measures, as well as the government’s push for biofuels and its plans to limit carbon emissions, are putting the nation on a long-term path to lower oil consumption. The American talk about energy independence rankles Saudi officials, who maintain that the goal is unrealistic and could end up damaging energy markets by undermining investment now, thus leading to higher prices in the long run. Mr. Falih said he welcomed energy-efficiency measures but insisted that fossil fuels would dominate energy demand for decades. “I was here in the 1980s after the 1970s price shocks, and I remember all the debates,” Mr. Falih said. “But ultimately the policies were reasonable. And the United States continues to search for that reasonable ground.” Saudi officials have recognized that structural changes are taking place in the United States. A few months ago, Aramco sold its storage facilities in the Caribbean, a signal that it was abandoning the East Coast market, according to analysts. (The Saudis stopped striving to be the top foreign supplier to the United States years ago. The kingdom now trails Canada, Mexico and Venezuela for exports to the United States.) That is not to say the Saudis are cutting ties with the United States. Aramco is expanding its Motiva refinery, in Port Arthur, Tex., which it owns with Royal Dutch Shell, to increase its capacity to 600,000 barrels a day. That will make it the largest refinery in the United States, overtaking Exxon Mobil’s Baytown refinery. Edward L. Morse, an energy expert who heads global commodity research at Credit Suisse in New York, said the transformation was a healthy development in relations between Saudi Arabia and the United States. It also means the end of the “U.S. discount,” where Aramco sold oil to American refiners for about $1 a barrel less than to Asia. “The Saudis don’t see the need to subsidize their oil exports to the United States anymore,” Mr. Morse said. Last year, Saudi exports to the United States fell to 989,000 barrels a day, the lowest level in 22 years, from 1.5 million barrels a day the previous year, according to the Energy Information Administration. Meanwhile, Saudi sales to China surged above a million barrels a day last year, nearly doubling from the previous year. The kingdom now accounts for a quarter of Chinese oil imports. Saudi Aramco recently inaugurated a huge refinery in the Fujian province, in the southeast coast of China, which is projected to receive 200,000 barrels a day of Saudi crude, and is looking at a second project in the northeast city of Qingdao. It is also planning to build two refineries in Saudi Arabia, as joint ventures with Total and ConocoPhillips, that are primarily destined to ship products to Asia. India is also courting Saudi attention. After a visit in March to Riyadh by India’s prime minister, Saudi Arabia outlined a goal to double its exports to India. The kingdom already accounts for 25 percent of the Indian market after its exports grew sevenfold from 2000 to 2008. “Oil flows are shifting from West to East, and Saudi supplies that used to go to Europe and the United States are now headed for Asia,” said Jean-Jacques Mosconi, the senior vice president for strategy at Total of France. Brad Bourland, a former State Department official who heads research at Jadwa Investment in Riyadh, said: “Saudi Arabia used to be very much an American story, but those days are gone forever. That’s just a reflection of a globalized world and the rise of Asia. They now see their relationship with China as very strategic, and very long term.”

#### China and India solve the impact

Richter 08

(Paul Richter, LA Times, 6/8/08, “Oil inflames U.S.-Saudi ties” http://articles.latimes.com/2008/jun/08/world/fg-ussaudi8)

Saunders believes that China may be buying more Saudi oil than the United States in less than a decade. That sets up "a real possibility that China will have more leverage in dealing with Saudi Arabia than we do," he said. The Saudis helped the United States for years as "doves" within the Organization of the Petroleum Exporting Countries on the issue of oil prices. They were willing to moderately increase production, fearing that high prices could cause the United States and others to seek alternate supplies or cut consumption, as happened in the 1980s in reaction to the oil price shocks of the 1970s. But attitudes have been shifting. Many believe the Saudis have grown more interested in conserving their supplies for later generations, and confident that if U.S. consumption drops, the economies of China, India and others will take up the slack.

### Aff Answers – Saudia Arabia controls Prices

#### Saudi Arabia can control prices – solves the impact

Williams 11

(James Williams, WGTR economics, at least 2011 as shown by the graphs and data used, “Oil Price History and Analysis” http://www.wtrg.com/prices.htm)

With enough spare capacity to be able to increase production sufficiently to offset the impact of lower prices on its own revenue, Saudi Arabia could enforce discipline by threatening to increase production enough to crash prices. In reality even this was not an OPEC enforcement mechanism unless OPEC's goals coincided with those of Saudi Arabia. During the 1979-1980 period of rapidly increasing prices, Saudi Arabia's oil minister Ahmed Yamani repeatedly warned other members of OPEC that high prices would lead to a reduction in demand. His warnings fell on deaf ears. Surging prices caused several reactions among consumers: better insulation in new homes, increased insulation in many older homes, more energy efficiency in industrial processes, and automobiles with higher efficiency. These factors along with a global recession caused a reduction in demand which led to lower crude prices.

### Aff Answers – Saudi diversification

#### Saudi Arabia is making successful efforts to diversify its economy

Arab News 12

(7/10/12, “Saudi Arabia's economy healthy enough to sustain low oil prices: Samba” http://ae.zawya.com/story/Saudi\_Arabias\_economy\_healthy\_enough\_to\_sustain\_low\_oil\_prices\_Samba-ZAWYA20120710030829/)

Saudi Arabia is aiming to use this period of high oil prices to lessen dependence on oil itself. The report said value of nonoil exports have grown by an annual average of 17 percent over the past decade, increasing their share of total exports from 14 percent to 17 percent. Most of these are derived from hydrocarbons (petrochemicals, refined products, steel), but they are sufficiently far up the value chain to soften the direct dependence on oil prices.

#### Saudi Arbia taking strides to diversify their economy

IMF 11

(IMF Duh!!!!!! 9/11/11, “Saudi Arabia Addressing Jobs, Housing as Economy Rebounds” http://www.imf.org/external/pubs/ft/survey/so/2011/int092111b.htm)IMF Survey online: What is the country doing to encourage private sector development and lessen its dependence on oil?

Initiatives to encourage economic diversification have been under way for many years and Saudi Arabia’s business climate is generally ranked fairly high. We are seeing some expansion in areas such as services and, to a lesser degree, manufacturing. Trade patterns are also shifting, with strong growth in trade with Asia as well as with the Middle East that can add additional dynamism to the economy. Integration initiatives within the GCC can also provide opportunities for growth.